

Credit Union  
Protection

# MANAGEMENT & PROFESSIONAL LIABILITY\*

## COMBAT RISK AND RISING LITIGATION TRENDS



**Credit unions continue to experience significant lawsuits related to wrongful repossession of collateral, specifically over defective notices of intent to sell and notice of deficiencies. Combat risk and rising litigation with a policy written and designed specifically for your credit union's unique needs.**

The process of foreclosing loans and repossessing collateral is under increasing scrutiny from regulators. It's more important than ever that your credit union has the proper policies, procedures and protection in place. With our Management & Professional Liability (MPL) policy, you get innovative coverage solutions that are essential to protecting your credit union and the personal assets of your directors, officers, volunteers and employees.

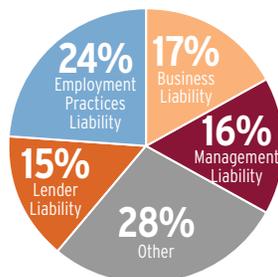
Our industry-specific coverage paired with risk consultation offers you protection for lawsuits arising from errors, omissions, mismanagement, misleading statements and more emerging risks.



### PROTECTING OUR POLICYHOLDERS IS OUR PRIORITY

That's why our Third Party Litigation team of seasoned professionals are 100% dedicated to helping your credit union navigate through the complex world of litigation in the event a lawsuit is brought against your credit union.

**2021 Liability Claim Dollars Paid\*\***



### Claims by the Numbers

- Won **98%** of third-party cases for our customers
- **97%** of credit unions are highly satisfied with claims service
- Saved **\$2.8M** in defense costs by enforcing billing guidelines

Source: CUNA Mutual Group Internal Data, 2021.

**TO LEARN MORE ABOUT OUR MANAGEMENT & PROFESSIONAL LIABILITY POLICY, contact your CUNA Mutual Group Sales Executive at 800.356.2644 or email [cuprotection@cunamutual.com](mailto:cuprotection@cunamutual.com).**



The descriptions and loss scenarios below and on the following pages help to illustrate common exposures your credit union may face. They also demonstrate the multitude of ways CUNA Mutual Group's Management and Professional Liability helps to protect and mitigate your unique risks. Coverage is dependent upon your policy and the actual facts of the claim(s).

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
<p style="text-align: center;">MANAGEMENT LIABILITY</p>	<p>Protects your credit union and the personal assets of your directors, officers, volunteers and employees against lawsuits related to management of the credit union. The coverage has three core grants including individual coverage, reimbursement coverage, and entity coverage.</p> <ul style="list-style-type: none"> <li>• Individual coverage pays on behalf of Insured Persons for Loss as a result of a Claim for a Wrongful Management Liability Act in which the Insured Persons are not able to be indemnified by the Credit Union.</li> <li>• Reimbursement coverage pays on behalf of the Credit Union for Loss as a result of a Claim and as a result of its obligation to indemnify its Directors and Officers for a Wrongful Management Liability Act.</li> <li>• Entity coverage pays on behalf of the Credit Union for Loss as a result of a Claim for a Wrongful Management Liability Act alleged against the credit union.</li> </ul> <p><b>Individual coverage is non-rescindable.</b></p>	<ul style="list-style-type: none"> <li>• At the request of the CEO, the board approves an investment policy that includes investing in sub-prime mortgage backed securities. The investments eventually turn worthless due to the poor quality of the mortgages resulting in the credit union having to write-off the entire investment. As a result, the capital position of the credit union falls to the point where the regulator puts it into conservatorship. The regulator then sues the board for breach of its due diligence responsibility in understanding the true risks associated with the investment it approved.</li> <li>• A suit alleges that credit union directors breached their duty in terms of management oversight responsibilities, with the credit union and board named as defendants, both are faced with defense and potential compensatory damages after being found to be legally liable.</li> <li>• Members suffer from a rash of phishing scams and allege that the credit union neglected its duty in adequately informing and educating the membership on how to identify and avoid such scams. This claim example is not applicable without entity coverage.</li> </ul>
<p>THE FOLLOWING ENHANCED COVERAGES MAY BE PURCHASED WITH THE CORE COVERAGES OF MANAGEMENT LIABILITY:</p>		
<p style="text-align: center;">DIRECTOR AND OFFICER UMBRELLA</p>	<p>Provides a stand-alone limit to selected Insured Persons for a Wrongful Management Liability Act in the event the Insured Organization is unable to indemnify them due to insolvency or legal restrictions. In addition, the following exclusions are removed for purposes of determining coverage under the Director and Officer Umbrella:</p> <ul style="list-style-type: none"> <li>• Pollution or Nuclear</li> <li>• Insured vs. Insured</li> <li>• Personal Injury, Bodily Injury or Property</li> <li>• Other Wrongful Acts</li> <li>• Intellectual Property</li> <li>• Professional Services</li> <li>• Green Mail</li> </ul> <p>The Director and Officer Umbrella coverage is non-rescindable.</p>	<ul style="list-style-type: none"> <li>• A credit union becomes insolvent due to a loan program and is therefore unable to indemnify its board.</li> <li>• A board is sued by members and employees for a breach of fiduciary duty. A court awards the members and employees \$3 million but the individual coverage limit is only \$2 million.</li> </ul>
<p style="text-align: center;">INVESTIGATIVE COSTS</p>	<p>Pays on behalf of the credit union the reasonable costs and expenses incurred, including those incurred by its directors or officers, in connection with the credit union's investigation or evaluation of a written demand made against the board of directors for a Wrongful Management Liability Act.</p>	<ul style="list-style-type: none"> <li>• A credit union board receives a written demand alleging breach of fiduciary duty related to transactions that occurred ten years prior. Due to imperfect record keeping, the board decides to hire a forensic accountant to examine the ten year old transactions.</li> </ul>
<p style="text-align: center;">DIRECTOR AND OFFICER ID THEFT</p>	<p>Pays up to \$7,500 for various costs, such as time off of work, child care, or notarizing affidavits, associated with restoring ones identification as a result of ID Theft.</p>	<ul style="list-style-type: none"> <li>• A Director has his/her ID stolen and needs to restore their credit. In doing so, they have to take several unpaid days off of work and complete numerous affidavits.</li> </ul>

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
EMPLOYMENT PRACTICES LIABILITY	<p>Protects the credit union and other insured persons such as Directors, Officers or Employees for Loss they are legally obligated to pay related to current, past, future or prospective employment for:</p> <ul style="list-style-type: none"> <li>• Violation of any state, federal, or provincial law, anywhere in the world, prohibiting discrimination against employees</li> <li>• Wrongful dismissal, discharge or termination (including constructive discharge) of employment</li> <li>• Sexual or workplace harassment</li> <li>• Violation of employment laws</li> <li>• Negligent evaluation, training or retention</li> <li>• Wrongful, unfair or excessive discipline or retaliation</li> <li>• Failure to provide adequate workplace, employment policies or procedures</li> <li>• Failure to promote, train, grant variable pay, or grant tenure</li> <li>• Breach of an employment contract, whether actual, implied, written or oral</li> <li>• Misrepresentation or misstatement</li> <li>• Negligent supervision or hiring of others</li> <li>• Failure to employ</li> <li>• Libel, slander, defamation of character, publication of material in violation of a person's right of privacy;</li> <li>• Infliction of emotional distress, mental anguish or humiliation</li> <li>• Negligent retention</li> <li>• Hostile work environment</li> </ul>	<ul style="list-style-type: none"> <li>• A Board of Directors fires the Branch Manager of a credit union because of poor performance. The Branch Manager sues the credit union and the Board of Directors for age discrimination, wrongful termination, and defamation. The Branch Manager does not have a specific employment contract with the credit union.</li> <li>• A credit union is sued by two former employees, alleging sexual harassment and infliction of emotional distress.</li> <li>• A credit union and its Personnel Manager are sued for wrongful discipline after conflicts with an employee on job performance issues (assuming no specific contract).</li> <li>• An applicant for employment at a credit union is not hired and sues the credit union, alleging discriminatory hiring practices.</li> </ul>
THE EMPLOYMENT PRACTICES LIABILITY COVERAGE ALSO INCLUDES AN OPTIONAL ENHANCED COVERAGE FOR DEFENSE COSTS FOR FAIR LABOR STANDARDS ACT.		
DEFENSE COSTS FOR FAIR LABOR STANDARDS ACT	<p>Provides coverage for Defense Costs related to a Claim for an actual or alleged violation of the Fair Labor Standards Act, or any similar state or local laws, solely for Claims seeking pay for overtime or unpaid minimum wages.</p>	<ul style="list-style-type: none"> <li>• Two managers of the tellers who are exempt and paid a salary bring suit solely alleging they should be classified as non-exempt and therefore due overtime for the past five years. Defense costs of \$50,000 were incurred defending</li> </ul>
LENDER LIABILITY	<p>Pays on behalf of any Insured, Loss for which the insured is legally obligated to pay as a result of any claim for a Wrongful Lending Liability Act or a Wrongful Vicarious Lending Liability Act. A Wrongful Lending Liability Act includes any error, misstatement, misleading statement, act, omission, neglect, or breach of duty actually or allegedly committed or attempted by an Insured relating to:</p> <ul style="list-style-type: none"> <li>• The rendering or failure to render Loan Servicing</li> <li>• The restructure, termination, transfer, collection, repossession or foreclosure of any loan, lease or extension of credit originated by the Insured Organization</li> <li>• An agreement, refusal, grant or extension of any loan, lease or extension of credit</li> <li>• The unintentional violation of any automatic stay and discharge injunction under the U.S. Bankruptcy Code (11 U.S.C. §101, et seq.)</li> <li>• The unintentional violation of the Fair Debt Collection Practices Act (15 U.S.C. Sec. 1692 et seq.) or any similar state statute</li> <li>• The unintentional violation of any federal or state unfair or deceptive practices act, statute or regulation relating to an agreement, refusal, grant or extension of any loan, lease or extension of credit</li> </ul>	<ul style="list-style-type: none"> <li>• A borrower files suit against a credit union for wrongful repossession of the member's car.</li> <li>• A borrower files suit against a credit union for discrimination after the credit union denied her mortgage loan.</li> <li>• A borrower alleges a credit union acted unfairly and harassed the member when collecting a delinquent loan.</li> <li>• A borrower files suit when the credit union refuses to disburse a loan that the member believed to have been pre-approved.</li> <li>• A business borrower was entering into a business arrangement with the impression that the business loan was pre-approved. The member files suit when the credit union refuses to disburse the business loan.</li> <li>• To effectively foreclose on a first mortgage, a bank files suit against all lien holders, including a credit union holding a second mortgage. The credit union wants to make certain its position is defended, incurring legal fees.</li> <li>• A bankruptcy trustee files suit against a credit union on the behalf of a borrower alleging violation of the Fair Debt Collection Practices Act.</li> </ul>

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
<p style="text-align: center;"><b>PROFESSIONAL LIABILITY</b></p>	<p>Pays on behalf of any Insured, Loss as a result of a Claim for a Wrongful Credit Union Services Liability Act. A Wrongful Credit Union Services Liability Act includes the following:</p> <ul style="list-style-type: none"> <li>• IRA/Keogh Act</li> <li>• Trade Practices Act</li> <li>• Any error, misstatement, misleading statement, act, omission, neglect, or breach of duty actually or allegedly committed while functioning as a Shared Branching Facility</li> <li>• Payment of Deposit Act, but only if such claim is brought by a Member</li> <li>• Any error, misstatement, misleading statement, act, omission, neglect, or breach of duty actually or allegedly committed or attempted by or on behalf of an Insured in the rendering or failure to render Professional Services</li> </ul>	<ul style="list-style-type: none"> <li>• A member files a suit for misstatements related to advice they received on an auto insurance policy sold to them through your majority owned CUSO.</li> <li>• A member files suit against a credit union, alleging deceptive trade practices by offering a “teaser rate” on a savings account that has the higher interest rate in effect only for a limited number of months.</li> <li>• A credit union is negligent acting in its capacity as a trustee of a member’s IRA, resulting in the member making a claim against the credit union for extra expenses in re-filing income tax forms, totaling \$2,000.</li> </ul>
<p style="text-align: center;"><b>FIDUCIARY LIABILITY</b></p>	<p>Pays on behalf of any Insured, Loss as a result of a Claim for a Wrongful Fiduciary Liability Act. A Wrongful Fiduciary Liability Act includes any actual or alleged:</p> <ul style="list-style-type: none"> <li>• Breach of the responsibilities, obligations or duties imposed upon any Insured in its capacity as a fiduciary of any Insured Plan or by the common or statutory law of the United States of America or any other jurisdiction anywhere in the world</li> <li>• Matter claimed against the Insured Organization or any Insured Person solely because of their service as a fiduciary of any Insured Plan</li> <li>• Negligent act, error or omission by an Insured based on any of the following with respect to an Insured Plan: Interpreting or applying; giving counsel to Employees, Directors or Officers, Leased Employees or Independent Contractors; or handling of records in effecting enrollment calculating, terminating or canceling</li> <li>• A negligent act, error, or omission by an “insured” in interpreting or applying; or giving counsel to Employees, Directors or Officers, Leased Employees or Independent Contractors concerning workers’ compensation, unemployment insurance, Old-Age, Survivors And Disability Insurance</li> </ul> <p>Definition of “insured plan” includes health savings accounts, benefits available through a healthcare exchange, 457(b) and 457 (f) plans</p>	<ul style="list-style-type: none"> <li>• The credit union’s employee benefit plan and fiduciaries are sued by 11 retired employees of the credit union, claiming receipt of misleading information about a 401(k) plan, a lack of diversity of investment options, and a lack of information about the risk involved in various investment options.</li> <li>• The credit union, in error, does not enroll a new employee in the credit union’s group health plan. The employee is hospitalized and has medical bills in excess of \$550,000 that the group health carrier won’t pay because the employee was not enrolled in the group health plan.</li> <li>• The credit union’s human resources department misinterprets Social Security benefits when giving counsel to an employee who was soon to retire. After retiring, the employee sues the credit union for loss resulting from the inaccurate counsel that had been provided.</li> </ul>

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
<p style="text-align: center;">ENHANCED DEFENSE REIMBURSEMENT</p>	<p>Pays on behalf of any Insured, Reimbursement of Defense Costs incurred as a result of any Claim for which there is no coverage available under any other insurance issued for:</p> <ul style="list-style-type: none"> <li>• Injunctive relief</li> <li>• Violations of Consumer Financial Protection Bureau (CFPB)</li> <li>• Overdraft re-sequencing</li> <li>• Patent infringement</li> <li>• Violations of Telephone Consumer Protection Act (TCPA)</li> </ul> <p>Or, when coverage is wholly excluded by one or more of the following exclusions contained in the Management &amp; Professional Liability Policy for:</p> <ul style="list-style-type: none"> <li>• Contractual Liability</li> <li>• Diminution of Value</li> <li>• Guaranteed Performance</li> <li>• Acquired Collateral</li> <li>• Investment Value</li> <li>• Insolvency of Financial Institution</li> <li>• Pollution &amp; Nuclear</li> <li>• Privacy &amp; Security</li> <li>• Legal Lending Limit</li> </ul>	<ul style="list-style-type: none"> <li>• A patent holding company files suit against the credit union alleging patent infringement on the technology used in check processing systems and methods, credit card processing systems and methods and other banking operations.</li> <li>• To reduce expenses, a credit union contracts with a new IT vendor while still having a valid contract with another. The credit union is sued by the original IT vendor for breach of contract.</li> <li>• The CFPB issues a consent order to a credit union that allows dealer mark-ups in their indirect lending program claiming disparities in rates charged to members that were based on race and not based on credit-worthiness or other objective criteria related to borrower risk.</li> </ul>
<p style="text-align: center;">PERSONAL EXCESS LIABILITY</p>	<p>Provides a stand-alone limit for each named Insured Person when the Management Liability Individual coverage limit has been exhausted.</p>	<ul style="list-style-type: none"> <li>• At the request of the CEO, the board approves an investment policy that includes investing in sub-prime mortgage backed securities. The investments eventually turn worthless due to the poor quality of the mortgages resulting in the credit union having to write-off the entire investment. As a result, the capital position of the credit union falls to the point where the regulator puts it into conservatorship. The regulator then sues the board for breach of its due diligence responsibility in understanding the true risk associated with the investment it approved. The Management Liability - Individual coverage limit is exhausted. However, each individual insured is protected up to their set individual limit.</li> <li>• A suit alleges that credit union directors breached their duty in terms of management oversight responsibilities, with the credit union and board named as defendants, both are faced with defense and potential compensatory damages after being found to be legally liable. The Management Liability - Individual coverage limit is exhausted. However, each individual insured is protected up to their set individual limit.</li> </ul>

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
<p>CRISIS MANAGEMENT EXPENSE REIMBURSEMENT</p>	<p>Pays on behalf of the Insured, reimbursement of Crisis Control Expenses incurred for any of the following crises:</p> <ul style="list-style-type: none"> <li>• The Insured Organization, an Insured Person, Employee or any member of the public, become victim to an Active Assailant situation while on the Insured Organization's Premises;</li> <li>• A criminal proceeding against any Insured Person or Employee, commenced by the return of an indictment or information; such that the criminal indictment is in relation to the Insured Person's or Employee's job duties;</li> <li>• A Public Announcement of Employee layoffs of 15 or more Employees or in excess of 25% of the total number of the Insured Organization's Employees; whichever is greater. The layoffs must take place over the course of the current Policy Period;</li> <li>• An accident or other event, resulting in death or Serious Bodily Injury of 3 or more people while they are on the Insured Organization's Premises; or</li> <li>• A death or voluntary resignation and departure from the Insured Organization of one or more Executive Officers.</li> </ul>	<ul style="list-style-type: none"> <li>• A member is shot and killed on the insured organization's premises and some employees are hit by gunfire. A crisis control management firm is hired to minimize potential reputational harm.</li> <li>• An employee has been caught embezzling funds from members' accounts. A criminal indictment is returned and is reported on by local news outlets. A crisis control management firm is hired to minimize potential reputational harm.</li> </ul>

## CUNA MUTUAL GROUP RISK & COMPLIANCE SOLUTIONS

You get more than a policy. One of the unique advantages of insuring with CUNA Mutual Group is you'll gain direct, multi-channel access to our risk and compliance team of consultants. By analyzing exclusive insights, experienced Risk Consultants proactively support your risk management efforts by sharing guidance and best practices through resources and 1:1 consultations.

In addition, you'll have access to relevant resources including: **the Protection Resource Center, RISK Alerts, checklists, risk overviews, training modules, webinars, Bondability verification, and online assessments** to help you keep ahead of emerging risks.

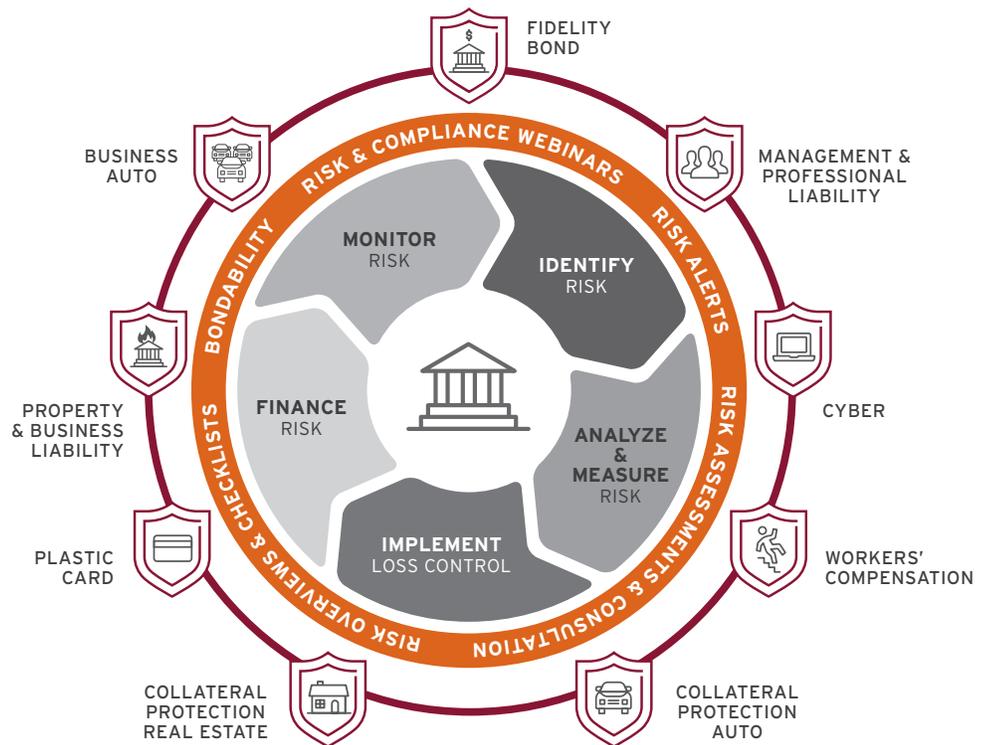
Our Risk & Compliance team can help you make confident decisions on a variety of core credit union functions:

PAYMENTS/DEPOSITS	OPERATIONS / INTERNAL CONTROLS	HR / EMPLOYMENT PRACTICES	TECHNOLOGY & CYBERSECURITY
FRAUD & SCAMS	LENDING OVERSIGHT	PHYSICAL SECURITY	COMPLIANCE / LITIGATION

**CUNA Mutual Group's Credit Union Protection Suite** of policies and services supports the credit union's risk management process to help reduce the risk of a loss event from happening.

**Credit Union Protection Policies**  
Your policy is written with the unique benefit of CUNA Mutual Group's database of over 29,000 active credit union policies.<sup>1</sup>

**Risk Management Services**  
Using over 40 years of credit union claims data and our depth of consultation experience, CUNA Mutual Group's risk management team can be relied on to help your credit union mitigate risk.



To learn more about how CUNA Mutual Group's Credit Union Protection Suite can help you better manage a loss and minimize the risk of loss, **contact your CUNA Mutual Group Sales Executive at 800.356.2644 or visit [www.cunamutual.com/creditunionprotection](http://www.cunamutual.com/creditunionprotection).**

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<sup>\*</sup>Excludes New York and Montana State Approved Policy. <sup>\*\*</sup>Claims in the pie chart are part of the Management and Professional Liability Policy, except Business Liability claims, which are part of the Property and Business Liability Policy.

<sup>1</sup> CUNA Mutual Group Internal Data, August 2022. CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Insurance products offered to financial institutions and their affiliates are underwritten by CUMIS Insurance Society, Inc. or CUMIS Specialty Insurance Company, members of the CUNA Mutual Group. Some coverages may not be available in all states. If a coverage is not available from one of our member companies, CUNA Mutual Insurance Agency, Inc., our insurance producer affiliate, may assist us in placing coverage with other insurance carriers in order to serve our customers' needs. CUMIS Specialty Insurance Company, our excess and surplus lines carrier, underwrites coverages that are not available in the admitted market.

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