
Fidelity Bond and Risk Management Services



“We learned the hard way that all bond coverage is *not* created equal.”

Like all credit union leaders in this era of strong competition and thin margins, Robert Glenn, President and CEO of Air Force Federal Credit Union, was looking for ways to save money. “Insurance premiums are among the largest non-interest expenses we have outside of salaries and benefits. Historically we’ve relied on CUNA Mutual Group for our bond coverage, but when we found a broker who could deliver a policy for \$50,000 less (over a three-year period)—a policy we were assured was ‘identical to CUNA Mutual Group’s’—it seemed like a good decision to switch.”

Glenn felt especially assured because the broker he worked with had years of experience in the credit union space and was quite familiar with CUNA Mutual Group’s policies. “This was a trusted individual, telling me the language was the same. The company he recommended was well established and respected and I knew a number of other credit unions had made the switch. I didn’t ask to see the specific language—I trusted the broker.”

Unfortunately, Glenn soon found out that trust was misplaced, particularly when it came to online account opening and loan applications. “In recent years a significant number of these operations have occurred online—both because we have a geographically dispersed membership and because we’ve tried to stay ahead of the curve in adopting technology,” Glenn said. “Each account opening is subject to best practice identity verification using two well-respected authentication partners.”

In summer of 2013, five online loans went past their first payment. And that’s when things got interesting for Air Force. “These all appeared to be good quality loans that hadn’t raised any red flags during underwriting,” Glenn said. “The members had exceptional credit with very high scores and low debt ratios. But when we contacted the members in question about the late payments, we discovered most were victims of identity theft.”

Glenn alerted the insurance broker that Air Force might soon be filing a claim, but before he could even gather the information to submit it he received a letter denying the claim. “At that point I looked more closely at the language in the contract and it seemed their basis for denial was thin at best,” Glenn remembered. “I called a contact at CUNA Mutual Group and asked to see their policy language on this issue. The difference was stark.”

The insurance company continued to deny Air Force’s claim and the loss eventually topped \$250,000. “It was extremely painful to go to my board with this news,” Glenn said.

Glenn’s past experience with CUNA Mutual Group hadn’t prepared him to doubt his vendors. “I’d never had to parse every word before. With CUNA Mutual Group you feel like they’re looking for ways to work with you—not ways to avoid paying your claim. That they’ll stand by their word and not try to hide from their liability.”

With hindsight being 20-20, Glenn conceded he should have compared the language side-by-side with CUNA Mutual Group’s policy. “Then, I would have gone to the insurer—not the broker—to learn how they determine whether to pay on a given clause. I would have compared every definition, insuring clause, and exception. But unless you’re a specialized attorney with a heavy background in insurance contract law, an element of trust is going to enter into every dealing you have with a vendor.”

Lesson learned, Glenn decided to cancel the bond policy he held with the competitive provider—even though it meant paying additional fees—and purchased the CUNA Mutual Group fidelity bond. “The peace of mind this delivers is critical, plus there are so many value-adds. When the CUNA Mutual Group team prepares your quote, they spend time with your staff and seek to understand your practices and advise you on ways to avoid both risk and over-insuring. Plus they’ll come in every year and do a variety of risk assessments for no additional charge.”

Glenn cautioned his peers. “When you’re purchasing insurance, read everything. Question everything. Don’t allow trade association endorsements to override your due diligence. And recognize that larger financial institutions might view some losses as just the ‘cost of doing business.’ Can you afford to do that? This is especially important if you’re trying to embrace technology—you need a partner who will protect you as you navigate the hiccups that can entail. And with CUNA Mutual Group, that’s what you get.”

Robert Glenn, President and CEO
Air Force Federal Credit Union
San Antonio, Texas
\$372 million assets; 40,000+ members