



NAFCU'S * Share Insurance Quiz

* This quiz has been
adapted from the NCUA Appendix to Part 745-Examples of
Insurance Coverage Afforded Accounts in Credit Unions Insured By
the National Credit Union Share Insurance Fund

NAME: _____

DATE: _____

1. Your credit union has two members, a husband and wife. The husband has an individual share account and his wife has an individual share account. Each individual account has \$100,000. The couple also has a joint share account that contains \$100,000. What would be the insurance coverage for the accounts?

2. You have a member that places \$30,000 into an irrevocable trust for her granddaughter, the beneficiary. This member also has another account with your credit union that contains \$90,000. The trust will not be covered by insurance; in this case only the member's individual account has insurance coverage.

True _____ False _____

3. Harry Hall has \$92,500 invested in an individual account and his agent, Nick Newman, invests \$22,500 of Harry's funds in a properly designated agency account. Both accounts are at your credit union. Nick also holds an individual account with \$100,000 in your credit union. What would the total insurance coverage be for the three accounts?

- _____ a. Up to \$200,000
- _____ b. Up to \$100,000
- _____ c. Up to \$300,000
- _____ d. None of the above

4. Your credit union has two members, Sam and Susie Smith, a husband and wife. Sam and Susie have a joint share account of \$100,000. Sam has a "payable on death" account naming Susie as the beneficiary. Susie also has a "payable on death" account naming Sam as the beneficiary. Sam and Susie are each fully insured up to \$100,000 on the two payable upon death accounts.

True _____ False _____

5. Isabella Inglenook, a minor, maintains an individual account of \$750 in your credit union. Isabella's grandfather makes a gift to her of \$100,000, which is invested in another account by Isabella's father, designated on the credit union's records as custodian under a Uniform Gift to Minors Act. Isabella's father, who is also a member, maintains an individual account of \$100,000. Even with her grandfather's gift, Isabella's individual account of \$750 is insured up to \$100,000.

True _____ False _____

6. Tammy Thomas invests \$200,000 in a revocable trust account with her son, Todd, and her daughter, Tillie, as named beneficiaries. Todd and Tillie both have equal beneficial interests. What is the insurance coverage on the account?

- a. As beneficiaries, Todd and Tillie are each insured up to \$200,000 and Tammy is also insured up to \$200,000.
- b. As beneficiaries, Todd and Tillie are each insured up to \$50,000 and Tammy is insured up to \$100,000.
- c. Only Tammy is covered by share insurance up to the maximum of \$100,000, \$100,000 of the funds would not be covered.
- d. None of the above

7. A member, Charles Carter, has an individual account of \$100,000 and establishes an IRA account and accumulates \$250,000 in that account. Subsequently, Charles becomes self-employed and establishes a Keogh account with your credit union and accumulates \$250,000 in that account. Each one of these accounts is insured up to \$100,000.

True _____ False _____

8. A member of your credit union, Jake Jenkins, has a self-directed IRA account with \$90,000 in it. Your credit union is the trustee of the account. Jake transfers \$50,000 out of the credit union IRA account into a blue chip stock. After the transfer, \$40,000 remains in the credit union. What is the insurance coverage on the credit union account?

- a. \$40,000 is insured
- b. \$90,000 is insured
- c. \$60,000 is insured
- d. \$50,000 is insured

9. A member of your credit union, Billy Boxer, is the administrator of another member's estate, that of Diana Dixon. Billy sells Diana's SUV and invests the proceeds of \$14,000 in an account entitled, "Billy Boxer, Administrator of the estate of Diana Dixon." Billy also has an individual account with your credit union containing \$100,000. Is Billy's individual account fully insured?

Yes _____ No _____

10. Richard Rogers invests \$100,000 in each of five "payable-on-death" accounts. Under the terms of each contract, Richard has the right to withdraw any or all of the funds in the account at any time. Any funds remaining in the account at the time of Richard's death are to be paid to a named beneficiary. The respective beneficiaries of the five accounts are Richard's wife, his daughter, his mother, his brother and his nephew. He also holds an individual account containing \$100,000. Each one of the accounts is fully insured to the \$100,000 maximum.

True _____ False _____



NAFCU's Share Insurance Quiz - Answer Key

1. Each account is separately insured up to \$100,000 for a total coverage currently of \$300,000. However, the potential coverage could be \$400,000 if the joint account went up as high as \$200,000. The coverage would be the same whether the individual accounts contain funds owned as community property or as individual property of the spouses. 12 C.F.R. § 745.3(a)(1) and § 745.8(a).
2. False. Both accounts are fully insured. The trust account is separately insured from the member's individual account. 12 C.F.R. § 745.3(a)(1) and § 745.9-1.
3. The correct answer would be a. Harry's individual account and the agency account are added together and insured to the \$100,000 maximum, leaving \$15,000 uninsured. The investment of funds through an agent does not result in additional insurance coverage for the principal. 12 C.F.R. § 745.3(a)(2). Nick's individual account is insured separately from the agency account. 12 C.F.R. § 745.3(a)(1). However, if the account records of the credit union do not show the agency relationship under which the funds in the \$22,500 funds are held, the \$22,500 in Nick's name could, at the option of the NCUSIF, be added to his individual account and insured to \$100,000 in the aggregate, leaving \$22,500 uninsured. 12 C.F.R. § 745.2(c).
4. True. If the named beneficiary of a "payable on death" account is a spouse, child grandchild, parent, brother or sister (as defined in 12 C.F.R. 745.4(d)) of the owner, the funds in all such accounts are insured for the owner up to \$100,000 in the aggregate as to each such beneficiary. The joint account is insured separately for the full \$100,000 with the potential of being insured up to \$200,000. The total interest of an owner in qualifying joint accounts shall be added together and the total for that co-owner shall be insured up to \$100,000. 12 C.F.R. § 745.8(a).
5. True. Isabella's individual account and the custodian account held for her by her father are each separately insured: 1) the \$100,000 maximum on the custodian account, and 2) the \$750 on her individual account, up to \$100,000. The individual account held by Isabella's father is also separately insured to the \$100,000 maximum. 12 C.F.R. § 745.3(a)(1) and § 745.3(b).
6. The correct answer would be d. Since Todd and Tillie are the children of Tammy, the owner of the account, the funds are insured up to \$100,000 as to each beneficiary. 12 C.F.R. 745.4(b). Since Todd and Tillie have equal beneficial interests in the account (\$100,000 each), Tammy is fully insured for this account.
7. False, as the retirement accounts qualify for more than \$100,000 in insurance. Each of Chris Carter's accounts would be separately insured as follows: 1) the individual account for \$100,000, the maximum for that type of account; 2) the IRA account for \$250,000, the maximum for that type of account; and 3) the Keogh account for \$250,000, the maximum for that type of account. 12 C.F.R. § 745.3(a)(1) and § 745.9-2.

- 8.** The correct answer would be a. Originally, the full \$90,000 in Jake's IRA account is insured. Once the \$50,000 is moved out of the credit union, it no longer enjoys share insurance at that credit union. The \$40,000 remaining in the credit union is insured. 12 C.F.R. § 745.9-2.
- 9.** Yes. Billy's individual account is insured for \$100,000, separately from the estate account. 12 C.F. R. § 745.5.
- 10.** False. The accounts payable on death to Richard's wife, daughter, mother and brother are each separately insured to the \$100,000 maximum. 12 C.F.R. § 745.4(b). The account payable to Richard's nephew is added to Richard's individual account and is insured to \$100,000 in the aggregate, leaving \$100,000 uninsured. 12 C.F.R. § 745.4(c). If the named beneficiary of a revocable trust account is someone other than the spouse, child, grandchild, parent, brother or sister of the account owner, the funds corresponding to that beneficiary will be treated as an individually owned account of the owner, aggregated with his other individual accounts and insured up to \$100,000.