

# Your Guide to Enhanced Deposit Insurance Protection in New Brunswick Credit Unions



New Brunswick's current *Credit Unions Act* (Act) became effective on January 31, 1994. It offers deposit insurance coverage for members of credit unions through the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC). This level of protection is in addition to other levels of deposit protection that these financial institutions provide to their members. On November 3, 2005, the deposit insurance coverage level was increased. Deposits are now insured to an amount equal to the amount contained in the eligible deposit accounts.

This brochure is a publication of NBCUDIC in co-operation with the credit union and *caisse populaire* movements of New Brunswick and was developed to explain the deposit protection provided. In this brochure, "credit union" includes *caisse populaire*.

## Deposit protection

Whenever you deposit money in a New Brunswick credit union, your deposits are safeguarded by three levels of protection:

- 1. At the credit union level**  
The Act requires that each credit union maintain a minimum level of equity to provide protection against potential financial losses.
- 2. At the level of the two stabilization boards**  
Credit unions and *caisses populaires* have pooled resources to establish stabilization funds through their respective stabilization board. This level of protection is unique to these financial institutions. A stabilization fund may be used to provide financial assistance to member credit unions to meet equity requirements or to provide further protection against financial losses.  
Under provincial legislation, each stabilization board is administered by an eight-person board of directors, five of whom are appointed or elected

by member credit unions and their federation. The other three are appointed by government.

In addition to providing financial assistance, stabilization boards carry out inspections and monitor the financial condition and standards of sound business and financial practices of all credit unions on an ongoing basis.

- 3. At the NBCUDIC level**  
NBCUDIC guarantees the 100% repayment of all eligible deposits held at New Brunswick credit unions, including accrued interest. Deposit insurance is part of a comprehensive protection program in all New Brunswick credit unions.

To be eligible for deposit insurance protection, a deposit must be:

- in Canadian currency, payable in Canada;
- held in a New Brunswick credit union; and
- be repayable no later than five years after the date of the deposit.

NBCUDIC insures almost all deposits in credit unions.

For example:

Savings and chequing accounts .....	100 % insured
Term deposits, guaranteed investment certificates (GIC's) .....	100 % insured
Money orders .....	100 % insured
Certified cheques.....	100 % insured
Eligible deposits in registered retirement savings plans (RRSP)* .....	100 % insured
Eligible deposits in registered retirement income funds (RRIF)* .....	100 % insured

\* NBCUDIC does not insure all moneys held in registered plans. To be insurable, the funds

must be invested in savings accounts or in term deposits that meet the five year requirement, and must be payable in Canadian currency. NBCUDIC does not insure certain types of deposits and investments offered by credit unions. For example, NBCUDIC does not insure:

- foreign currency deposits (savings and chequing accounts, and term deposits);
- term deposits that are locked in longer than five years;
- membership shares and other types of shares of a credit union;
- bonds and debentures issued by governments and corporations;
- treasury bills; and
- investments in mutual funds and stocks.

## Additional safeguards

- Credit unions are audited annually by a firm of professional accountants.
- Credit unions are insured against risks such as fraud and robbery so as to provide adequate protection of the assets of the credit union.
- Credit unions in New Brunswick, along with thousands of credit unions in other provinces, participate in networks that contribute to strengthening credit unions.
- Credit unions are community based organizations that are owned and controlled by their members.

## Commonly asked questions

- 1. Who administers NBCUDIC?**  
NBCUDIC is administered by a five-person board of directors. The Superintendent of Credit Unions is the chairperson of the Board under provincial legislation.

- 2. How will the deposit insurance coverage apply if I have deposits in more than one credit union?**

Deposit insurance coverage applies to the eligible deposits you have in each credit union in New Brunswick.

- 3. How does the system of deposit protection work?**

In the event that a credit union is no longer financially viable, a stabilization fund can be used to maintain the credit union in a solvent position and provide financial assistance to the credit union. The deposit insurance protection provided by NBCUDIC would then apply to cover eligible deposits in the event of liquidation of the credit union. NBCUDIC can also provide funds to assist a stabilization board.

- 4. Has any credit union member ever lost any monies deposited with a credit union in New Brunswick?**

No member of a credit union in New Brunswick has ever lost money deposited in a credit union. Before the establishment of NBCUDIC, credit unions had in place a solid system of deposit protection. The addition of deposit insurance further enhances the security of your deposits in New Brunswick credit unions.

- 5. How does the deposit insurance provided by NBCUDIC compare to the deposit insurance provided for clients of banks and trust companies?**

Deposit insurance offered by NBCUDIC covers the entire amount contained in eligible deposit accounts while the deposit insurance plan in banks and trust companies covers a restricted amount.

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