Labor Management Reporting and Disclosure Act (LMRDA) Requirements for Local and Council Bonding

WHAT IS A BOND?

A bond is simply an insurance policy protecting your Local/Council assets, including cash, from theft or embezzlement.

WHO IS BONDED?

AFGE secures a blanket bond that provides coverage for all officers, employees, and stewards of an affiliate who handle funds or property of the Union.

HOW MUCH BOND COVERAGE DOES AN AFFILIATE NEED?

The affiliate must be bonded for at least 10% of the annual gross receipts and liquid assets. To determine the required coverage, add all cash balances at the beginning of the prior fiscal year (including cash, checking, savings, and investments) plus all monies received during the prior fiscal year and multiply by 10%. AFGE recommends that even though the law requires the Local or Council to cover 10% of their assets, that you should consider covering 100%.

BOND INSURANCE PREMIUMS

In keeping with our efficiency and savings goals per the delegates from the 2012 convention, AFGE now renews its bonds for a three-year term rather than annually. This practice has resulted in a savings to locals/councils. In addition to the actual dollar savings, bond premiums will not increase due to excessive claims filed from losses. AFGE bills locals/councils for their three-year bond premium in early January. The next triennial billing will be billed in January 2019 for the years 2019 through 2021.

HOW ARE BOND CLAIMS FILED?

If a local/council has a loss through fraud or embezzlement, it should be immediately reported to the NST's office. All transactions and correspondence are made between the local/council and the bond company through the NST's office. The NST will notify the bond company of the loss; the bond company issues proof of loss forms; the proof of loss forms are mailed by the NST's office to the local/council with an instruction letter; the proof of loss forms are completed by the local/council and returned to the NST's office which are in turn sent to the bond company. The bond company assigns a claims attorney to the case for investigation. Once the claims attorney reaches a finding, a check for the loss is issued.

WHO REQUIRES YOUR LOCAL OR COUNCIL TO HAVE A BOND?

The LMRDA requires all AFGE affiliates (Locals and Councils) to be bonded against losses due to fraud or embezzlement. Section 502(a) of the LMRDA and provisions of Section 7120 of the Civil Service Reform Act of 1978 (CSRA) establish bonding requirements for officers and employees of labor organizations. Every union covered by the LMRDA or the CSRA is subject to the bonding requirements.