amount for which each plan is required to be protected. Thus, in the instant case, if funds or other property were commingled, and X caused a loss of these funds through fraud or dishonesty, one-sixth of the loss would be attributable to Plan A and five-sixths of the loss attributable to Plan B.

(e) The maximum amount of any bond with respect to any person in any one plan in $500,000, but bonds covering more than one plan may be required to be over $500,000 in order to meet the requirements of the Act, since persons covered by such a bond may have “handling” functions in more than one plan. The $500,000 limitations for such persons applies only with respect to each separate plan in which they have such functions. The minimum bond coverage for any administrator, officer, or employee “handling” funds or other property of a plan is $1,000 as respects each plan in which he has “handling” functions.

§ 2580.412–17 Bonds over $500,000.

The Labor-Management Services Administrator, after due notice and opportunity for hearing to all interested parties, and after consideration of the record, may prescribe an amount in excess of $500,000, which in no event shall exceed 10 per centum of the funds “handled.” Any requirement for bonding in excess of $500,000 shall be according to such other regulations as may be prescribed.

Subpart D—General Bond Rules

§ 2580.412–18 Naming of insureds.

Since section 13 is intended to protect funds or other property of all plans involved, bonds under this section shall allow for enforcement or recovery by those persons usually authorized to act for such plans in such matters. In most cases, the naming of the plan or plans as insured will provide for such recovery. Where it is not clear that such recovery will be provided, however, a rider shall be attached to the bond or separate agreement made among the parties concerned to make certain that any reimbursement collected under the bond will be for the benefit and use of the plan suffering a loss. Such rider or agreement shall always be required as respects any bond (a) where the employer or employee organization is first named joint insured with one or more plans, or (b) two or more plans are named joint insureds under a single bond with the first named acting for all insureds for the purpose of orderly servicing of the bond.

§ 2580.412–19 Term of the bond, discovery period, other bond clauses.

(a) Term of the bond. The amount of any required bond must in each instance be based on the amount of funds “handled” and must be fixed or estimated at the beginning of the plan’s reporting year, that is, as soon after the date when such year begins as the necessary information from the preceding reporting year can practicably be ascertained. This does not mean, however, that a new bond must be obtained each year. There is nothing in the Act that prohibits a bond for a term longer than one year, with whatever advantages such a bond might offer by way of a lower premium. However, at the beginning of each reporting year the bond shall be in at least the requisite amount. If, for any reason, the bond is below the required level at that time, the existing bond shall either be increased to the proper amount, or a supplemental bond shall be obtained.

(b) Discovery period. A discovery period of no less than one year after the termination or cancellation of the bond is required. Any standard form written on a “discovery” basis, i.e., providing that a loss must be discovered within the bond period as a prerequisite to recovery of such loss, however, will not be required to have a discovery period if it contains a provision giving the insured the right to purchase a discovery period of one year in the event of termination or cancellation and the insured has already given the surety notice that it desires such discovery period.

(c) Other bond clauses. A bond shall not be adequate to meet the requirements of section 13, if, with respect to bonding coverage required under section 13, it contains a clause, or is otherwise, in contravention of the law of the State in which it is executed.