

CORPORATION, PARTNERSHIP AND UNINCORPORATED ASSOCIATION ACCOUNTS

(12 C.F.R. § 330.11)

I. Definition

The Corporation, Partnership, and Unincorporated Association ownership category includes deposit accounts owned by businesses and organizations.

1. A corporation is defined as an organization that is incorporated under the laws of the state in which it is located. This definition includes both for-profit and not-for-profit corporations, as well as “Subchapter S,” “Limited Liability (LLC)” and “Professional (PC)” corporations.
2. A partnership is defined as an association of two or more persons or entities formed to carry on, as co-owners, an unincorporated business for profit.
3. An unincorporated association is defined as an association of two or more persons formed for some religious, educational, charitable, social, or other non-commercial purpose.

Accounts of a sole proprietorship or a DBA are not insured under this account category. Sole proprietorship accounts are insured as the single accounts of the owner. As discussed in the section on single account coverage, DBA or sole proprietorship accounts are added with any other single accounts of the sole proprietor and insured for up to the SMDIA.

II. Insurance Limit

The deposit accounts of a corporation, partnership, or unincorporated association are insured for up to \$250,000, provided the corporation, partnership, or unincorporated association is engaged in an “independent activity.”

III. Requirements

Business/Organization must be engaged in an independent activity.

In order to receive separate deposit insurance coverage, the business/organization must be engaged in an “independent activity”.

The term “independent activity” means that the entity is operated primarily for a legitimate business purpose and not solely to increase deposit insurance coverage. If a corporation, partnership, or unincorporated association is not engaged in an “independent activity”, the FDIC will consider its deposits to be owned by the person or persons who established the account or who own or control the corporation, partnership, or unincorporated association.

Corporations and partnerships must be validly formed under the applicable state law to receive insurance coverage that is separate from any coverage that the owners, officers, or partners of the business might otherwise receive.

Deposits held in the name of a validly formed corporation, partnership, or unincorporated association are insured separately from the personal deposits of the owners or officials of the organization.

IV. Corporations

Separately incorporated subsidiaries engaged in an “independent activity” are separately insured from each other and from the parent company. If a corporation has divisions that are not separately incorporated, deposits in the names of those divisions are not separately insured. Additionally, deposit accounts designated for different purposes but held by the same corporation also are not separately insured.

The number of signatories on the account or the number of officers does not affect insurance coverage. In addition, if a corporation has multiple accounts at the same IDI in the names of different divisions or offices of the corporation, the accounts would be aggregated and insured as the deposits of the corporation up to a total of \$250,000.

V. Partnerships

Deposit accounts held in the name of a partnership engaged in an “independent activity” are insured as the partnership’s deposits, separately from the personal deposits of the partners.

Neither the number of partners nor the number of signatories on an account affects the amount of insurance coverage. The maximum deposit insurance coverage for a partnership’s deposit accounts at one IDI is \$250,000, regardless of the number of partners or signatories on the account.

VI. Unincorporated Associations

Deposit accounts held in the name of an unincorporated association (such as a neighborhood association or a scout troop) engaged in an independent activity are insured as the association’s deposits, separately from the personal deposits of the officers or members.

In order for the account to receive separate coverage, the title of the account must include the name of the unincorporated association. In other words, if the accounts are titled using the names of the officers of the organization, the accounts may be insured as the personal deposits of the individuals and not as the funds of the organization.

Insurance coverage for deposits held by an unincorporated association is a maximum of \$250,000. The number of signatories on the account or the number of members that the association may have does not affect the amount of insurance coverage.

Example 17**Facts:**

Ann Johnson, the president of XYZ Corporation, has a joint account with her husband at the same IDI where the corporation's funds are deposited. Ann is an authorized signer on the corporate account. In addition, Ann has opened a single account at that IDI. What is the deposit insurance coverage for all of the accounts?

Rules:

- The accounts of a corporation are insured for up to \$250,000.
- The personal accounts of a signer, a president, or a principal of a corporation are insured separately from the accounts of the business entity.

Answer:

Ann's joint account with her husband is insured up to \$500,000. Her single account is insured for up to \$250,000 and the corporation's deposits are separately insured up to \$250,000.

Example 17 – Deposit Accounts of a Principal of a Corporation are Insured Separately from the Accounts of the Corporation

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
XYZ Corporation Operating Account	XYZ Corporation (Ann Johnson, President and authorized signer)	\$250,000	\$250,000	\$0
Dave Johnson and Ann Johnson	Dave Johnson, Ann Johnson	\$500,000	\$500,000	\$0
Ann Johnson	Ann Johnson	\$250,000	\$250,000	\$0
Total		\$1,000,000	\$1,000,000	\$0

Example 18

A corporation, EFG, Inc., has its deposit accounts in the same IDI for both its Operations and its Research and Development divisions. What is the deposit insurance coverage for these accounts?

Rules:

- Accounts held by the same corporation or entity, but designated for different divisions or offices of the corporation or entity, are not insured separately.
- All of the accounts held in the name of a corporation are added together and insured for up to \$250,000.

Answer:

Although the accounts are designated for different divisions, one for Operations and another for Research and Development, the deposits will be aggregated and insured for up to \$250,000 as the funds of EFG, Inc. Since only \$250,000 would be insured, the remaining \$300,000 would be uninsured.

Example 18 – All Accounts Owned by a Corporation are Combined and Insured for up to \$250,000 at an IDI

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
EFG, Inc. Operations Division	EFG, Inc.	\$250,000	\$250,000	\$300,000
EFG, Inc. Research and Development Division	EFG, Inc.	\$300,000		
Total		\$550,000	\$250,000	\$300,000

Example 19

Good Deeds, a 501(c)(3) non-profit corporation, has an operating account for \$500,000 and a building fund account for \$300,000 at the same IDI. What is the deposit insurance coverage for these accounts?

Rules:

- Accounts held by the same non-profit corporation, but designated for different purposes, are not insured separately.
- All of the accounts held in the name of a non-profit corporation are added together and insured for up to \$250,000.

Answer:

The deposits of Good Deeds are insured for up to \$250,000 and uninsured for \$550,000. Although the accounts are designated for different purposes, they are not separately insured since the same non-profit corporation owns all the deposits. Therefore, all of the deposit accounts for the non-profit corporation are combined and insured up to \$250,000.

Example 19 – All Accounts Owned by a Non-Profit Organization are Combined and Insured for up to \$250,000 at an IDI

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
Good Deeds Operating Account	Good Deeds	\$500,000	\$250,000	\$550,000
Good Deeds Building Fund	Good Deeds	\$300,000		
Total		\$800,000	\$250,000	\$550,000

Example 20

Mary Rodriguez and Associates is a financial services partnership that was established by five financial planners: Mary Rodriguez, Richard Livery, Paula Rogers, Daniel McNeil, and Abby Winters. At the local IDI, Mary purchased a CD for \$1,250,000 in the name of the partnership. What is the maximum deposit insurance coverage for the CD?

Rule:

Deposits held by a partnership are insured for up to \$250,000 irrespective of the number of partners or the different purposes for which the accounts have been designated.

Answer:

The maximum insurance coverage for Mary Rodriguez and Associates is up to \$250,000. The partnership's deposits are not insured as the partners' single or joint accounts since the deposits are owned by the partnership (a legal entity), not the partners as individuals. Accounts owned by the partnership are added together and insured for up to \$250,000, with \$1,000,000 in uninsured funds.

Example 20 – Deposit Accounts Held by a Partnership are Insured up to \$250,000 as the Funds of the Partnership and are not Insured Based on the Number of Partners

Account Title	Owner	Account Balance	Insured Amount	Uninsured Amount
Mary Rodriguez and Associates, LP	Mary Rodriguez and Associates, LP	\$1,250,000	\$250,000	\$1,000,000
Total		\$1,250,000	\$250,000	\$1,000,000