

December 8, 2006

Susan Warkentin, Vice President
Planning & Development
Tucoemas Federal Credit Union
P.O. Box 5011
Visalia, CA 93278-5011

Re: Disease Specific Health Insurance

Dear Ms. Warkentin:

You have asked if a federal credit union (FCU) may reimburse volunteer officials for premiums associated with disease management health insurance. Reimbursement of disease management insurance premiums is permissible if the coverage is reasonable and limited as required by NCUA's regulations.

The Federal Credit Union Act generally prohibits directors and committee members from receiving any compensation but allows FCUs to provide "reasonable health, accident, [and] similar insurance protection." 12 U.S.C. §1761(c). NCUA's regulation implementing this provision states the prohibition on compensation does not prohibit "reasonable health, accident and related types of personal insurance protection, supplied for officials at the expense of the credit union," but coverage "must cease immediately upon the insured person's leaving office, without providing residual benefits other than from pending claims." 12 C.F.R. §701.33(b)(1), (2)

An FCU may choose to provide an insurance plan with comprehensive coverage, including disease management insurance, if the insurance is reasonable in coverage and amount, is within the bounds of safety and soundness, and ceases upon the insured leaving office, except for any pending residual claims. For further guidance, you may find previous legal opinions from the Office of General Counsel helpful and they are available on the agency website. See OGC Op. 94-0435 (May 10, 1994); 99-0621 (Nov. 8, 1999); 02-1203 (Jan. 22, 2003); and 03-0382 (July 10, 2003).

Employer-sponsored health plans offering disease management programs are becoming more commonplace. Conceptually, disease management programs reduce healthcare costs by improving the health of those with chronic conditions, for example, diabetes, renal failure, or cancer. The goal is to reduce potential complications by caring for the patient's ailment and alleviate expensive costs attributed to treating an acute illness. Studies done by Mercer Consulting indicated employer-based plans offering these types of programs have grown

significantly in recent years. This rising trend indicates providing disease management programs may be viewed as reasonable.

Instead of providing insurance directly, FCUs may reimburse officials for costs related to health insurance. This is permissible so long as the reimbursements do not amount to compensation. To comply with the compensation prohibition, an FCU must have a written policy addressing the extent of coverage for which the FCU will provide reimbursement, documentation requirements, and how the FCU will monitor direct application of its funds to insurance premiums.

Providing disease management health care programs to FCU volunteers may be permissible, following these guidelines. If you would like further assistance in determining if the particular plan you intend to offer is permissible, we suggest you contact your NCUA examiner or the appropriate NCUA regional office.

Sincerely,

/S/

Sheila A. Albin
Associate General Counsel

OGC/AMT:bhs
06-0932
cc: Region V