

May 10, 1994

Todd A. Citron
Vice President
Montebello Schools
Federal Credit Union
P.O. Box 849
Montebello, CA 90640

Re: Board Member Health Insurance (Your Letter of January 12, 1994)

Dear Mr. Citron:

We apologize for the delay in responding to your letter, but it was not received in this office until you telecopied it to this Office on March 31, 1994. You requested a legal opinion regarding the ability of a federal credit union ("FCU") to provide reasonable health insurance to its board members. The provision of reasonable health insurance to FCU board members is permissible within the bounds of safety and soundness. You did not provide us with any proposed health plan for your board members. We suggest you contact the Regional Office for any assistance regarding the establishment and maintenance of a health plan for board members.

ANALYSIS

The FCU Act permits an FCU to provide "reasonable health, accident, [and] similar insurance protection" to FCU board and FCU committee members. 12 U.S.C. 1761. NCUA regulation places some restrictions upon insurance benefits:

(2) For purposes of this section, the term "compensation" specifically excludes: ... (ii) provision of reasonable health, accident and related types of personal insurance protection, supplied for officials at the expense of the credit union: Provided, that such insurance protection must exclude life insurance; must be limited to areas of risk, including accidental death and dismemberment, to which the official is exposed by reason of carrying out the duties or responsibilities of the official's credit union position; must cease immediately upon the insured person's leaving office, without providing residual benefits other than from pending claims, if any....

12 C.F.R. 701.33(b)(2)(ii).

Few legal opinions have been issued regarding permissible insurance benefits for FCU officials. See Letter from E.F. Callahan, NCUA Chairman, to James C. Barr, Executive Vice President and Director, Credit Union National Association, Inc., dated July 29, 1982 (permitting "24 hour" accident insurance coverage) (the "1982 Letter," attached); Letter from Steven R. Bisker, NCUA Assistant General Counsel, to Larry T. Wilson, President/CEO, IBM Coastal Employees FCU, dated May 11, 1987 (permitting personal liability insurance coverage)(attached); and Letter from Hattie M. Ulan, NCUA Assistant General Counsel, to Steven Davidson, Regional Manager, DBS Agency, Inc., Re: Accidental Death and Dismemberment Insurance for FCU Directors and Committee Members, dated October 13, 1989 (permitting accidental death and dismemberment insurance coverage) (attached). As a whole, these opinions do indicate that an FCU can purchase reasonable insurance policies for FCU officials for risks reasonably covered by such policies. For instance, the 1982 Letter states: "Inasmuch as there have been no limitations on health insurance (e.g., limiting the cause of illness etc., to only credit union activity), which from a practical point of view, would

likely be impossible, it is our revised position that no such limitations should be imposed on accident insurance." 1982 Letter, p. 2.

Therefore, we concur with your assessment that an FCU can purchase health insurance for FCU officials as long as such insurance is reasonable in coverage and amount and ceases immediately upon the insured person's leaving office, except for any residual claims pending at the time the insured person leaves office.

Sincerely,

Robert M. Fenner
General Counsel

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SSIC 4730
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