

February 21, 2002

D. Kevin Jones, President/CEO
MIDFLORIDA Federal Credit Union
P.O. Box 8008
Lakeland, FL 33802-8008

Re: Reimbursement of Director's Health Insurance Premiums

Dear Mr. Jones:

You have asked us if a benefit called "HIS," paid by the state of Florida to one of its retired teachers who serves as a director of your federal credit union (FCU), would affect the FCU's ability to reimburse that director for health insurance premiums. 12 C.F.R. §701.33. As discussed below, the answer is yes.

Florida pays some of its retired employees a "Health Insurance Subsidy" (HIS). Fla. Stat. §112.363 (2001)(attached). Florida provides HIS to assist qualified retirees in paying for the costs of health insurance. Id. at §112.363(1). Before receiving the subsidy, a retiree must certify in writing that he or she has health insurance coverage. Id. at §112.363(2)(d).

An FCU may provide reasonable health insurance protection for officials, including directors, at the expense of the FCU. 12 C.F.R. §701.33. Payment may be made by way of reimbursement, pursuant to written FCU policies, for actual costs incurred. Letter from me to Hubert Carroll, dated November 8, 1999 (attached). A payment is not for an actual cost incurred, however, when the cost to the employee is specifically covered by another funding source. Under Florida law, HIS payments are intended to cover health insurance costs. Any employee that has no health insurance and thus incurs no health insurance costs will not receive HIS. Accordingly, to the extent that your directors incur health insurance costs that are less than or equal to their HIS entitlements, any payment the FCU makes towards these health insurance costs would be duplicative of HIS and would be inappropriate. The FCU may, however, reimburse directors for reasonable health insurance costs that exceed HIS and other third-party payments earmarked for health insurance.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/PMP:bhs
02-0123
SSIC 3500

Attachments