

RECORD OF SOCIETY OF ACTUARIES 1981 VOL. 7 NO. 4

HEALTH INSURANCE SECTION FORMATION

*Moderator: E. PAUL BARNHART. Panelists: KIRAN DESAI, ALAN N. FERGUSON,
CHARLES HABECK, WILLIAM L. HEZZELWOOD, SPENCER KOPPEL,
FRANCES T. O'GRADY, PETER M. THEXTON*

MR. E. PAUL BARNHART: We are hoping to take the first steps in organizing the first of the Sections that are now being permitted within the Society by action of the Board. I think that this Health Insurance Section will be a very important one because everybody will be watching to see how it works out and whether we seem really to be succeeding in providing better services to the members of the Society.

This morning we have a panel that consists of the majority of the organizing committee. We thought this session would be most effective if each of the members of this panel presented some of their own thoughts about what a Section can do for them and the members of the Society.

What I want to talk about now is the general concept of Sections within the Society. First, where did this idea come from? About 3 years ago the president of the Society was authorized to form a Task Force to look into the question of how the Society might do a better job of serving the various special interests that exist within the Society of Actuaries. Out of that evolved this concept of Sections.

What are the Sections really for? The basic purpose is to have an organized subdivision within the Society that permits actuaries interested in a particular area to organize and form a forum in which they can plan meetings, help to influence the educational system of the Society, develop additional research, etcetera.

You might say, don't these things happen anyway? Don't we now have committees on health insurance experience studies and on continuing education in health insurance? Aren't there health insurance topics in the education system? There are indeed, but the feeling is that if more of these are brought under the direction and control of an organized Section within the Society, then there would be more continuity and more manpower available to do all of these jobs better. These were some of the objectives the Board had in approving the recommendations of this Task Force - more people could be involved, they could communicate together better, there would be more continuity, and more complete, balanced, and thorough attention to all of the things that the Society ought to be doing to serve members in their various areas of special interest.

The Sections will be membership Sections and in order to vote or hold office in a Section, you must be a dues paying member. The dues that have been set up initially for this Section are only \$5.00 for the first year extending until December 31, 1982. It is my expectation that the dues of these Sections ought to continue to be nominal.

The question arises of whether all members of the Society are expected to join some Section, and this is not so at all. Membership in these Sections is meant to be highly at your preference. You can belong to none of them or you can belong to half a dozen of them. It's simply a matter of how valuable it is to you.

A brief comment on what the interest in this Health Section has been. It has really exceeded my expectations. Believe it or not, as of the last business day of the Society office before this meeting, they already had 546 dues paid members.

Let me get back to this question of special interests because I think one of the fears some of our members have is that the formation of these Sections is going to force our membership into choosing areas of specialization. There is no intent, even in the long term, of forcing specialization upon the members of the Society. On the other hand, specialization does have a valuable role in this area of Sections, and with that in mind I want to call on our first panelist, Kiran Desai, to make a few comments which he has in favor of the idea of fostering specialization.

MR. KIRAN N. DESAI: Will Sections force Society members into "Specialization"? It is probably presumptuous to think that anything will or can force a group of actuaries, period. Encourage, maybe; force, never. If the formation of a Health Section encourages specialization, we should examine its implications. The environment today is far different than it was in the sixties and seventies. In the dynamic environment of the eighties time is of critical importance. We are constantly confronted with criticism that the Society studies are not as timely and relevant as the practitioners need. In a dynamic environment, specialization is helpful because it permits timely transfer of pertinent knowledge on special problems that are not of general interest. Specialization would also permit a better forum for research, communication and continuing education for both those practicing and not practicing in the field. As you review the By-laws you will notice that, under the aegis of the Health Section, activities like meetings, seminars, research, etc. will be continued. Without stealing anyone's thunder, I may mention that even a newsletter may be developed for the Health Section. When these activities are conducted by the Health Section it is possible to give it a better priority than when they are conducted by the general body of the Society. Thus, it would provide a better focus for those practicing their specialty to come together and to know one another and know issues of interest and concern to others in the field. It would also lend credibility to specialists practicing in their field and would permit those not practicing in the field to know the experts to call upon for specialized problems.

MR. BARNHART: We are now ready to get into the question of the Health Insurance Section specifically. These are the By-laws* approved by the Board. They also have retained the right of amendment of the By-Laws.

MEMBERSHIP. The Board has decided that membership in this Section will be available only to members of the Society. At the outset, the Task Force had proposed a broader membership base. They had proposed a class

*Editor's Note: The By-laws are included as an appendix to this digest of discussion.

of "correspondent" members, so that even persons who were not members of the Society, for example, members of the Casualty Actuarial Society, could nevertheless belong to the Section. However, the Board decided that this Section should be a Society Section, and if we went too far in allowing membership to people beyond the Society, control would be weakened.

GOVERNANCE. The next section deals with the Section Council, voting procedures, the officers and the committees. Here I need to point out one thing that differs from the earlier literature and publicity that was circulated concerning Sections. Voting within the Sections is only available to Fellows of the Society of Actuaries. I hope that is not too disappointing to Associates among us who are interested in this, but here again in order to go slow and to be sure that the control and the direction of the Section was carefully kept within the goals and purposes of the Society of Actuaries, the Board decided that only Fellows of the Society should be eligible to vote and hold office.

The government of the Section is vested in what is called a Section Council and there are to be nine members of this Section Council. The officers of this Section would be elected from within that Council so the voting of the Section membership will simply be a vote to elect members of the Section Council.

The Section Council is meant to be a rotating Council. Eventually there will be three year terms and they will be staggered so that three seats will become vacant each year. Initially, the rotation of the nine member Council will be determined by the voting. The three individuals who receive the largest number of votes will receive the three year terms. The next three will get the two year terms, and the next three the one year terms.

ACTIVITIES. I want to highlight the Scope of Activities - Article VI. There are a lot of possible things that this Section can be doing.

Meetings - It can initiate and organize meetings as part of the larger meetings of the Society, such as this annual meeting here this week. Or, the Section can organize special meetings, either separately from or in conjunction with Society meetings. For example, the Section might decide to have an addition day of meetings of the Section, perhaps the day after the Society meeting adjourns. It is up to us to figure out how we feel this will work most effectively. This will be part of the job facing the nine member Section Council when it is formed.

Seminars - Seminars can be set up and be conducted by the Section. They may even take over some of the seminars being conducted by the Society whenever they get into the field of health insurance.

Research - Whatever we deem will be a useful and valid gathering of data or research pertaining to health insurance.

Literature - It is hoped literature will come out of the activities of the Section and some of it might be directed towards the Society's educational program. If this Section grows and develops in the way that I think it can, most of the educational literature within the Society examination system may find its inspiration and direction from the activities of this Section.

Other Section Activities - Article VI authorizes us to invent other activities that we might wish to engage in, subject to approval of the Board.

The existing committees of the Society that are in the health insurance area such as the Committee on Continuing Education, Health Insurance and possibly the Committees on experience studies may eventually be, in effect, transferred to this Section. If the Section does what is hoped for it, it may assume responsibility for some of the standing Committees that now exist and these may become Committees of this Health Section.

MR. ALAN N. FERGUSON: I have heard a lot about what the Section can do but I think what in fact it does depends very much on the kind of input that comes from this meeting and subsequent discussions about what the Section can or can not do. My reason for being interested in this Section is exemplified by two other meetings that are going on at this same time - one on the update on mortality research, another on the problems in the life insurance distribution systems. I find that there are often conflicts in subjects which interest me whenever I come to Society meetings. I think having a specialized Section could avoid some of those conflicts. Another thing it will do is make the discussions more specific. I was thinking of that presentation this morning on Actuarial Adaptability. Had there been an opportunity for discussion afterwards I do not think it would have been a very meaningful discussion with hundreds of people in the room. I think that having a section that is specialized and is smaller can produce more productive discussions and interchange of ideas.

I think that we have got to be aware of some of the problems that exist with a separate Section. There is the question of whether this overlaps with what the Health Insurance Association does, for example.

There is also a question of whether meetings should be held perhaps after Society meetings. How can meetings be effectively and economically organized? I think there is a great deal that can come out of this idea of a Section. I think a lot of it depends on the input and ideas we get from meetings like this. I look forward to a discussion.

MR. WILLIAM L. HEZZELWOOD: I have just a couple of observations I wanted to make. I think there are four general headings that my comments fall under. One is that I believe that it gives an increased opportunity for members of the Society to get involved in the health insurance world for those of us who are interested in doing so. I think that the chief benefit of that increased opportunity to get involved is the increased variety of views that we will hopefully get.

Under the same heading of having more relevant and interesting meetings that Alan was discussing, I can't help recalling that probably the most interesting and rewarding Society meeting that I have ever attended, from my own point of view, was the health specialty meeting in Banff. I think that many of you were there. Being a health specialty meeting, virtually all of the sessions were highly relevant to what we do in our day to day work. I think that all of us who are involved in health insurance that attended that meeting came away with a feeling that it was time well spent. I think that having a Health Section will give us an opportunity to inject into our Society meeting agendas that kind of relevancy.

The Health Section will enable us to do things in a more timely manner. It will provide a more rapid vehicle for dissemination of information on a number of subjects. There are areas that are not addressed as quickly as they should be by a lot of organizations. Also, considering the availability of data through the Society's experience studies, it is very often good data but not very timely. Maybe there is an opportunity for us in that area.

Another area where this Section can help actuaries is as a resource center. Non-actuaries, such as members of the NAIC, might look to the Section as a resource. The Section will, of course, serve as a resource for its own members. Hopefully we will develop through the Section an increased awareness of each others' areas of specialization. Through our meetings and discussions we will enhance our mutual understanding of areas each of us are involved in and by virtue of that we can do a better job of communication among us.

MR. BARNHART: As an illustration of one area of activity in which the Section might be of considerable value to the Society and its members, Frank O'Grady will talk about experience studies.

MR. FRANCIS T. O'GRADY: One of the most valuable services the Society provides to its members is the publication of the experience studies. Most of us, as practicing actuaries, keep the latest copy of the Report Numbers handy as a reference item. Thus, I see the experience studies as one area where the Section can definitely be of service to its members.

I would like to review briefly what we currently do in the way of experience studies. I will restrict my comments to the individual health studies, though you will appreciate, of course, that we have similar studies in the group health area.

There are actually three phases to the experience studies: (1) the contribution, (2) the compiling, and (3) the preparation of the report. The last individual health medical expense study had ten contributing companies, and the last disability income study had twelve contributing companies. It is interesting to note that when the New York State Insurance Department did a special study of disability income experience a few years ago, they were able to get twenty-five companies to contribute. It is also interesting to note that specifications for the New York State study were almost identical to those for the Society study. Thus, there are a good number of potential contributors to the Society study and the new Health Section should encourage their participation.

The second phase, the compiling of the study, is currently being done by the Center for Medico-Analytical Studies (CMAS), which is part of the MIB organization. The use of a compiler other than insurance companies was an experiment which was started with the individual health experience studies and has proven to be successful.

The third phase is the preparation of the report, which is published in the Reports Numbers of the Transactions. This is the part that requires the greatest investment of time and effort by the committee members.

The current chairman of the individual health experience studies, Sam Gutterman, has recently distributed a questionnaire to contributors and

potential contributors to these studies. The intention was: (1) to keep up the interest of those involved and to encourage new contributors, and (2) to determine the extent of use of studies and to generate ideas for changes or additions to the studies.

I believe that the new Health Section should be most helpful in implementing whatever changes in direction for the studies may be developed as a result of this questionnaire.

MR. BARNHART: One other question that has come up in connection with the activity of this Section is its relation to other organizations. For example: The trade associations, the Health Insurance Association of America, the NAIC, The American Academy of Actuaries, the Casualty Actuarial Society, and other organizations that are very much interested in the field of health insurance. What are some of the possibilities, opportunities, or problems with regard to the relationship of a Section of this kind to other organizations actively interested in this subject? Pete Thexton has some comments in this area.

MR. PETER M. THEXTON: The principal trade association in health insurance is the Health Insurance Association of America. Other trade associations with some expressed interest in health insurance include the American Council of Life Insurance and the Insurance Economics Society. The casualty associations may have more interest than I have been aware of, and there may be other associations which have not come to my attention, but Charlie Habeck has a list.

While the Health Section of the Society of Actuaries cannot stay aloof from the actual conduct of the health insurance business, insured and uninsured, I wonder if the relationship will be any closer than is the relationship of the Society itself to all of the various insurance trade associations. Our interest here is primarily educational and professional and our relationship outside of the Health Section will be, I think, to maintain high standards of ability and ethics.

It is this very purpose which will make us extremely valuable to regulation and the regulators. The primary interest of the regulators of insurance, and particularly of health insurance, is that the business shall be conducted first and foremost in the interest of the general public. Health coverage must be fairly defined and presented and it must be fairly rated or, in the language of the laws, the benefits must be reasonable in relation to the premiums.

The current trend in regulation is to require an opinion by a qualified actuary, and a qualified actuary must be a Member of the Academy; the Health Section of the Society has no formal or informal regulatory standing. I think one effort has to be to establish the Health Section as an important contributor to the qualifications of an actuary who proposes to deal with health subjects.

The reason I believe we need to obtain some standing is the rapid spread of actuarial opinions, especially to health coverages. There are two areas under active discussion and a third waiting in the wings. The active areas are reserves for health and welfare plans and reserves for health care service corporations. The area waiting is rate filing and experience monitoring.

We actuaries are being asked to sign our professional names to ever-wider kinds of documents, we need to do what we can to make that signature reliable. The Health Section can help us become as qualified as we say we are.

MR. BARNHART: The next question that arises is "What should the priorities of this Section be and what should be the first tasks undertaken by the Section?" Spence Koppel has some thoughts about this.

MR. SPENCER KOPPEL: The Health Insurance Section was formed to serve its members. Therefore, whatever activities it pursues and the priority it gives to these activities should depend on the desires of its membership. The Section can organize seminars for the education and benefit of its members. It can recommend research through formed committees. It can prepare literature through an Editor of Publications and, by reference, it can engage in any other activities that are approved by the Board of Governors of the Society of Actuaries.

These immediately bring to mind possibilities of such things as meetings within the Society meetings that would be specifically on the subject of health insurance or special seminars separate from regular Society meetings. As we all know, meetings serve at least two purposes. One purpose is for the education of the membership and the other purpose is the communication and sharing of ideas between persons of common interest.

An activity that would be appropriate would be recommending needed research in the area of health insurance and developing committees to accomplish this, development of literature such as special newsletters, new or revised study notes, and encouraging new papers on the subject of health insurance would also be appropriate activities.

The following are examples of specific topics that the Health Section may want to address: Products (loss of time or medical expense, or even accidental death), pricing concepts, level premium concepts that have changed in their nature with the advent of inflation and other economic situations, the differences between group, individual, or mass marketed products, valuation of policy reserves and claim reserves, the regulatory environment, loss ratio regulation, rate increase guidelines, and monitoring.

In conclusion, there are lots of possibilities and what is done first will depend on the desires and needs of the members.

MR. HEZZELWOOD: I have three rather specific items that I think the Sections will need to address early on.

Under the subject of communication we need to have some form of a newsletter. I would see the first newsletter accomplishing two things: Notifying the members of the Section as to the results of the election and soliciting interested Section members to serve on the Section's various committees.

We should establish a standing committee within the Section for the purpose of conducting some form of abbreviated, yet timely, experience studies for both Individual and Group health. The experience studies that are published in the Society's reports are very good but they are often outdated by the time they are published. I would also like to see some vehicle established for getting inter-company data disseminated to this Section in a very timely manner, perhaps quarterly, because the nature of this business is just too

volatile for us to be waiting two and three years to see what kind of experience the industry is having.

One other thing I would like to see the Section do is set up an ad-hoc study group for the purpose of approving the dissemination of information about the NAIC Model Rate Filing Guidelines and the extent to which they are in use in the various states. As far as health actuaries are concerned, it is probably one of the most significant developments in recent years and it would be an ideal subject to summarize in a newsletter for this Section.

MR. CHARLES HABECK: Earlier this year, when we reviewed the "expression of interest" cards, we noticed that a number of individuals, not members of the Society of Actuaries, desired to participate in the proposed activities of the Health Section.

I believe that we can pursue an "open door" policy with respect to these individuals and with other actuarial groups and trade associations that share our concerns. I think we can do this without compromising the stated purpose of the Health Section, which is "to facilitate the professional development of its members."

First, I believe that a list of such "other organizations" should be drawn up, and that steps should be taken to establish a network of formal and informal exchanges.

In this process the Health Section effort should be in the pro-active mode, instead of reactive; that is, we should seek out and identify these other persons and organizations, among which may be included the following (this is a partial list):

The Casualty Actuarial Society (CAS); the American Academy of Actuaries (AAA); the Health Insurance Association of America (HIAA); the Life Insurance Marketing and Research Association (LIMRA); the National Association of Life Underwriters (NALU); the National Association of Health Underwriters (NAHU); the Life and Health Compliance Association; the National Association of Insurance Commissioners (NAIC); and so on.

In addition, various consumer advocacy groups may need awareness of the existence and activities of this Health Section. Surely there is need for sound estimates of the financial impacts of public policy alternatives in the areas of health care and income maintenance.

At some point early in its existence, rather than later, it may become necessary for the Health Section to embark on a more formal public relations program, even if only on a limited basis.

Otherwise, the interchange with other groups and individuals can be effected through regular mailings, for the most part, but also through the organization of joint meetings and special topic seminars.

At the present time there may be some barriers to establishing nonvoting classes of membership, but at least it should be possible for "outsiders" to receive the Health Section newsletter as a minimum level of mutual exchange. The effectiveness of Health Section efforts can only be enhanced by such an active program of outreach.

MR. BARNHART: Some people have expressed the opinion that maybe there should be two health Sections: an Individual Health Section and a Group Health Section. A couple of our panelists have some thoughts about this.

MR. DESAI: The distinction of group and individual insurance primarily came about to facilitate our needs. Actuaries, as underwriters, saw a way to make coverage available more widely and less expensively through the group vehicle. Different products were served to these groups meeting the different underwriting criteria. Each of the forms of insurance was fairly representative of the products sold and the needs covered. With changing economic and regulatory conditions, and with upward pressure of expenses and interest rates, the focus of business is considerably different. We now have to focus more closely on the marketplace than the underwriting alone. Products that use very limited underwriting, if any, like "Guaranteed Issue" are becoming universal because they permit a wider reach. Association group products have blurred the distinction between individual and group. We see in this category mass marketed health insurance which can be group or individual without any difference in pricing or type of coverage. It is, therefore, important to talk of issues that transcend forms. For the purposes of a nascent structure like ours, we should consider all issues that fall in the general category of health insurance until we get time to sort out the issues. We can then structure according to the needs dictated by the issues we have to address.

MR. HABECK: I would like to respond to some of the comments found on the expression of interest cards as to possible "splits" or subdivisions in the Health Section. For instance, several persons saw a need to separate group and individual health topics.

My own position is that there should be one Health Section. I believe the actuarial concerns are broad enough so that they cut across a multiplicity of marketing methods. Some examples:

1. The distinction between group and individual coverage is beginning to lose some of its significance. One frequently hears expressions like "true group" and "quasi-group." There is some blurring of the old distinctions, and this topic was discussed at earlier meetings this year.
2. Within group health alone, a number of "splinters" could be defined, since we have different carriers: e.g., insurance companies, Blue Cross-Blue Shield plans, HMO's, associations and MET's, self-insured plans, and government-sponsored programs.

As a counterproposal, it appears more feasible and meaningful to create subdivisions by type of loss involved. Thus, two sub-sections could emerge, one for health care or medical expense financing, and the other for income loss protection. As an example of each, consider:

First, the recent HIAA research study called "Compensation Systems Available to Disabled Persons in the United States." This study is a good example of how the whole range of income protection must be considered if loss experience under any one component is to be interpreted properly.

Second, consider our existing national health insurance program; we do have one, you know. It consists of a number of segments, all of which must be considered if we are to coordinate the program and make the best use of our resources.

With all of this in mind, it is my opinion that our best interests will be served by maintaining the Health Section as a single, unifying structure within the Society of Actuaries.

MR. BARNHART: I would like to thank all of you on the panel for contributing what I hope have been some stimulating and useful thoughts for all of you here. Now we would like to open the meeting up for some general discussion.

MR. JOHN B. CUMMING: In talking about the newsletter this morning no one mentioned John Miller and the newsletter he puts out, so I just wanted to comment that there is someone who is doing the work of putting out a newsletter now and I certainly hope that his work will be included in the activities of the Health Insurance Section.

MR. FREDERICK P. HAUSER: I was just curious as to what the thinking of the Board of Governors was in regard to Article VII which prohibits expressions of opinions. It seems to me that would be one of the normal functions of this organization. It is specifically prohibited and I think it might be the only thing that is prohibited.

MR. BARNHART: I meant to comment on that when I was talking about the By-laws, and I overlooked it. The Task Force started out initially by intending to provide for expressions of opinions and the original draft they prepared of that Article of the By-laws did provide that the Sections could express opinions in the same manner as Committees of the Society can express opinions. But what happened here was that we simply ran into a constitutional snag. The Society Counsel, and I think he was quite correct in this, gave an opinion that the only way within the Constitution of the Society that a Section could express opinions was through regarding each Section as a Committee. The Constitution of the Society allows the Society as a whole to express an opinion of the Board of Governors or a Committee of the Society. The Counsel ruled that regarding a Section as a Committee was a rather liberal stretching of the semantics of the Constitution. Had it not been for that, I think that this Article would have said that the Section could express opinions in the same manner as a Committee in the Society. Now, the Section will have Committees and I personally see no reason why in due course Committees of the Section cannot be regarded as Committees of the Society; after all, the Section is part of the Society. So I am hopeful that it will be found acceptable at least to say that Committees of the Section may express opinions. Beyond that, some kind of Constitutional Amendment will become necessary and this may well come to pass. I think that there is a great deal of interest in the ability of the Sections to be able to express opinions and, since the whole idea of Sections is new, obviously the Constitution failed to provide for this. The solution may simply be in the form of an Amendment to the Constitution of the Society but short of that I would hope that in due course it will be regarded as acceptable that Committees of Sections would be able to express opinions.

MR. DONALD S. GRUBBS: One of my own needs in this field is for a frequently updated bibliography of information already available. Sometimes a client

has interest in some new product and, to be sure, the Society has done studies, HIAA has information, HCFA has information, particular consulting firms have information, and I scratch my head and say "Where do I look for this one?" A frequently updated bibliography would help.

Secondly, regarding our relationship to other organizations, the recent circulation by the Academy may indicate that it does not necessarily represent the interests of the Society members. A Society member who has passed Society exams on health insurance is presumed able to certify health insurance reserves for life companies but not so if that health insurance is issued by a casualty company. I think we might be interested in the interest of our own members here.

MR. FERGUSON: The Society's guidelines say that no person shall serve concurrently on more than one standing Committee and I wonder if that might need to be possibly revised in light of the advent of the Section and its committees.

MR. BARNHART: That rule was discussed a little bit at the Board meeting this week and it has been perhaps too much ignored. We have possibly too much work being done by people who are too willing to serve and they are serving on three or four Committees. We have enough talent around. We ought to spread the work around.

MR. W. DALE COSBURN: I know there are at least two Canadian actuaries here and it seems to me that Canadian health actuaries have needs that are specifically identifiable and probably something worth contributing to the work of this Section. All the talk so far has been United States oriented.

MR. BARNHART: There is no question that we do have significant interest here among Canadian members as well as U.S. and we may well find there needs to be one or two special Committees within this Section that are devoted specifically to Canadian problems.

MR. DANIEL J. MCCARTHY: Pete Thexton remarked in his comments that this is a professional association, not a trade association. I think it is important to underline that. When I first got the original notice the only thing I did not like about the idea was the name because I was afraid that health insurance would be too narrowly construed and when I heard the list of associations that Pete and Charlie gave my concern was reinforced. For example, 40% to 50% of the medical care coverage in this country is provided by Blue Cross and Blue Shield organizations and we have a number of members of the Society who are either employed by or consult for those organizations. I did not hear the Blue Cross Association mentioned. I think it is important to remember that we are not, and ought not to be, an extension of commercial life or casualty insurance companies who happen to issue health coverages. We ought to have a broader focus on that and we ought to keep that in front of us as we go along.

My second comment is that Pete talked about qualification. At least to speak to the American situation, we have 15 or 16 years invested now in getting the Academy established as the vehicle for qualification and I would hope that we would not start undoing that with little pieces of qualification here and there for different sections. I would like to think that through the Guides to Professional Conduct of either the Society or the Academy or both we can channel people so that they don't speak out where they are not qualified, but not put more layers of qualification requirements into law and regulations.

MR. BARNHART: A quick comment on that last point. I would expect that the main role that this Section might play in that qualification process might well be educational and a certain amount of that is being done now. The Academy is working on qualification standards for health actuaries and there are educational requirements and some examination requirements being considered and at that point the Society would be playing a role in the educational and examination aspect of qualification. I might also mention that perhaps the first mistake we made was labeling this a Health Insurance Section. Perhaps one of the first amendments to these By-laws that really ought to be made would be to delete the word "Insurance" and simply call it the Health Section of the Society of Actuaries. I think that is important and not just a matter of semantics.

MR. CHARLES W. DUNN: For those of you who might be interested one of the things I have discovered as a bibliography is the Insurance Periodical Index which is a publication of insurance related articles. It is published each year just as a source of information.

MR. WILLIAM A. HALVORSON: I am very excited about the formation of this new Section within the Society of Actuaries. It seems to be a culmination of trends and desires that go back ten years or more. I remember the specialty meeting for health held in 1974 by the Society of Actuaries in Boston. At that time we had three Vice-Presidents who were all concerned with health - Paul Barnhart, Dan Pettengil, and myself. What we were seeing at that time was the difficulty for officers of the Society of Actuaries in getting the right kind of response from the Society of Actuaries to the Health insurance actuaries' needs. We were seeing an annual budget that was going from \$500,000 to \$1,000,000 to \$1,500,000 for the Society of Actuaries. At the same time we were seeing the experience reports' quality and ability to pull things together decreasing gradually. For three executives saying to the Society of Actuaries "Are we responding to the needs of the Health actuaries?" the answer would have to be obviously not. Except for one thing. We did, with respect to program material, allow one specialty meeting in 1979. It was a highly successful meeting but I think health actuaries want meetings every year, and I think that that would be very difficult for the Society as a whole to commit themselves to doing. So, through this Section, I would hope that the need for meetings, exchange of information, the research that's necessary, plus good new health insurance educational material can be provided for.

My final comment is that as I see and hear it developing, I know that we are going to have to have a very close working relationship, on the U.S. side of this, between this new Section and the American Academy of Actuaries. I see no problem in accomplishing that. The Academy of Actuaries, in the last three years having developed new committees on health insurance, has become very active in the health insurance area. We have to look at them as being the spokesmen, at this point, in the U.S. They need the support, research and educational materials that Sections such as this can provide to those particular people so they will continue to have a very close working relationship, with respect to U.S. issues, between the Society and the Academy.

Just one final comment. This group owes Paul Barnhart a great amount of thanks and Paul, you are to be congratulated and keep moving towards the formation of this Section.

MR. BARNHART: We will now go to the nominations. We have no nominations to propose. It was decided that this would be entirely open.

(Editor's note: The following names were nominated)

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| Noel Abkemeier | Bill Hezzelwood |
| Mike Abroe | Tony Houghton |
| Paul Barnhart | Paul Janus |
| George Berry | Spencer Koppel |
| Bruce Butler | Charles Kraushaar |
| Stephen Carter | Dan McCarthy |
| Dale Cosburn | Ray McCaskey |
| Jack Cumming | John Miller |
| Kiran Desai | Robert Nuding |
| Bob Dymowski | Bill Odell |
| Alan Ferguson | Frank O'Grady |
| Ernie Frankovich | Donald Peterson |
| Joe Galko | Bob Shapland |
| Sam Gutterman | Harry Sutton |
| Charles Habeck | Bill Taylor |
| Emanuel Halpern | Peter Thexton |
| Bill Halvorson | Gordon Trapnell |
| Ben Helpand | Edward Wojcik |

MR. RON BACHMAN: I was wondering if future meetings, either seminars or meetings at the Society meetings, would be open only to the dues paying members of this Section.

MR. BARNHART: I am sure that will not be the case. As far as seminars or meetings are concerned there might be a registration fee, but I am sure that meetings of this Section will be just as open as the meetings of the Society itself, which are definitely not restricted to members only.

MR. EARL MAGNUSON: Would there be a list of the 546 members published?

MR. BARNHART: Yes, there will be a membership list published for all Sections. Eventually this will probably be a subsection of the Yearbook.

APPENDIX

BY-LAWS

HEALTH INSURANCE SECTION OF THE SOCIETY OF ACTUARIES

ARTICLE I - NAME

The Section shall be named "The Health Insurance Section of the Society of Actuaries."

ARTICLE II - PURPOSE

The purpose of the Section, within the Society of Actuaries (the "Society"), shall be to encourage and to facilitate the professional development of its members through activities such as meetings, seminars, research studies and the generation and dissemination of literature in the field of health insurance and health benefit plans.

ARTICLE III - MEMBERSHIP

Membership in the Section shall be available only to members of the Society.

ARTICLE IV - SECTION COUNCIL, VOTING, OFFICERS AND COMMITTEES

SECTION 1. Purpose, Duties and Meetings of Section Council. The Section Council shall be responsible for directing and managing the activities of the Section. The Council shall meet at least once each year. Written notice of a meeting shall be given to each Council member not less than twenty nor more than sixty days before a meeting, specifying the place, date and hour of such meeting. At a meeting of the Council, four members of the Council shall constitute a quorum.

SECTION 2. Membership, Eligibility and Term of Office for Section Council. The Section Council shall consist of nine members, all of whom shall be Fellows and members of the Section. During the initial year of the Section, the Section members who are Fellows shall elect to the Council three members for a term to end at the close of the Society's 1982 annual meeting, three members for a term to end at the close of the Society's 1983 annual meeting, and three members for a term to end at the close of the Society's 1984 annual meeting. Thereafter, each year the Section members who are Fellows shall elect three members to serve on the Council for a term of three years.

Pending the election of the initial Section Council, the organizing committee as set forth in the petition shall function as an acting Council, but only for those purposes directly relevant to the initial organization of the Section, including the first Council election.

Any Section member who is a Fellow shall be eligible for election to the Section Council, unless such member is then currently a member of the Society's Board of Governors. No person may serve concurrently both as a member of the Section Council and the Board of Governors. Otherwise, each member of the Section Council shall hold membership for the term for which he or she is elected.

A retiring member of the Section Council shall not be eligible for re-election to the Council during the calendar year in which his or her term expires.

SECTION 3. Vacancies on Council. If a vacancy occurs in the membership of the Section Council, it shall be filled for the unexpired term at the regular election of Council members.

SECTION 4. Voting and Balloting. Voting in Council election shall be conducted by mail. Votes shall be cast personally; voting by proxy shall not be permitted. All Fellows who are members of the Section are entitled to vote. Each shall be entitled to cast one vote for each position to be filled by the election. The persons receiving the largest number of votes cast shall be declared elected to fill the available positions on the Council.

The Council shall appoint a Committee on Elections for the Section. This Committee shall be composed of at least five Section members who are Fellows, at least one of which is a present or past Chairman of the Section. This Committee shall be responsible for conducting elections and it shall have the authority to make such rules that are deemed necessary to carry out its duties.

SECTION 5. Officers and Committees. Each year the Section Council shall, from the Council membership, elect a Chairman, a Vice-Chairman, a Secretary and a Treasurer of the Section.

The Council members may appoint an Editor of Publications for the Section and such Committees as deemed appropriate. All proposed committees, however, shall be approved by the Vice-President of the Society responsible for general supervision of the Section.

ARTICLE V - DUTIES OF OFFICERS

SECTION 1. Section Chairman. The Section Chairman shall preside at meetings of the Section Council and at special purpose meetings of the Section.

SECTION 2. Section Vice-Chairman. The Section Vice-Chairman shall have such duties as may be assigned by the Section Chairman or Section Council. In the absence of the Section Chairman, or in the event of the Chairman's inability to act, the Section Vice-Chairman shall perform for the time being the duties of the Section Chairman. When so acting, the Section Vice-Chairman shall have all the powers of the Section Chairman.

SECTION 3. Secretary. The Secretary shall record and file the minutes of all meetings and seminars of the Section, and meetings of the Section Council, in one or more books provided for that purpose, give or cause to be given all notices in accordance with the provisions of the By-Laws, be custodian of the records of the Section, and in general perform all customary duties incident to the office of Secretary and such other duties as may be assigned by the Section Chairman or Section Council.

SECTION 4. Treasurer. The Treasurer shall be responsible for maintaining records and budgeting with respect to all income and disbursements of the Section; at the end of each fiscal year prepare a financial statement for the Section Council and the Society's Board of Governors, approve payment, by the Society's business office, of all bills for expenditures of the Section, and in general perform all customary duties incident to the office of Treasurer and such other duties as may be assigned by the Section Chairman or Section Council.

All funds of the Section shall be held and managed by the Society's business office, in accordance with the broad fiscal policies of the Society, and all approved disbursements from Section funds shall be made by members of Society staff with appropriate authority as established from time to time by the Society's Board.

ARTICLE VI - SCOPE OF ACTIVITIES

SECTION 1. Meetings. The Section may initiate and organize, or be assigned responsibility by the Society for, meetings deemed within the purview of the Section's purpose and activities, or for the special purpose content or themes of regular Society meetings.

SECTION 2. Seminars. The Section may sponsor and direct seminars within its area of special interest for the education and benefit of its members, and of other Society members and others wishing to attend. Such seminars may either be held independently of, or in conjunction with, Society meetings.

SECTION 3. Research. The Section may define and recommend research projects within its area of special interest, and may establish Section committees to conduct research projects, to the extent that such projects are within the Section's resources and capacity to undertake.

SECTION 4. Literature. The Section may prepare literature for distribution to its members and, where appropriate, to non-members. Editorial control shall be exercised by the Section through the appointed Editor of Publications.

SECTION 5. Other Section Activities. In addition to the activities mentioned above, the Section may pursue other activities as approved by the Society's Board of Governors.

SECTION 6. Review by Society's Board of Governors. The activities and conduct of the affairs of the Section shall be subject to any review deemed appropriate by the Society's Board of Governors.

ARTICLE VII - PUBLIC EXPRESSIONS OF PROFESSIONAL OPINION

The Section and its committees shall not be permitted to make expressions of opinion on issues of public interest.

ARTICLE VIII - FINANCES

The Section shall provide its services, such as publications and meetings, on a self-supporting basis.

Each Section member shall pay such dues, if any, for each year as may be established by the Section Council. Such dues shall be based on the actual or expected experience of the Section in providing its services. No dues shall be imposed by the Section on its members without the prior approval of the Society's Board of Governors. If a Section member fails to pay any required Section dues, he or she shall no longer be eligible to be a member of the Section pursuant to such rules as may be established by the Section Council and approved by the Society's Board of Governors.

Dues for the first year the Section exists shall be \$5. The "first year" shall extend from the Date of Organization to the beginning of the next Society dues year that falls more than 6 months after such date. Thereafter, Section dues shall coincide with Society dues years.

The Section Council shall submit, on an annual basis, financial statements to the Society's Board of Governors. Also, a budget shall be submitted, on an annual basis, to the Board of Governors for approval.

ARTICLE IX - TERMINATION

The Section may be terminated at the discretion of the Society's Board of Governors. Also, the Section may be terminated by a majority vote of its members, if upon the decision of the Board of Governors the remaining minority is of insufficient size to justify continuation.

ARTICLE X - AMENDMENTS TO BY-LAWS

Amendment to the By-Laws shall be in accordance with procedures which are established by the Society's Board of Governors.