



SOCIETY OF ACTUARIES

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ERISA: A Focal Point

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This last proposal is perhaps the most frightening, because it opens the door for lawsuits in state courts with the high costs of both frivolous suits and potential punitive damages. Some say PARCA goes beyond "Clinton Care." There are currently 225 cosponsors of the bill in the House of Representatives.

Consumer Bill of Rights

President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry

Seven Rights

- Choice of providers and plans

- Participation in treatment decisions
- Confidentiality of health information
- Nondiscrimination
- Access to emergency room
- Information disclosure
- Grievance and appeals process (with external review when appropriate)

EPHIC—Expansion of Portability and Health Insurance Coverage Act of 1997 (EPHIC)

EPHIC would actually expand ERISA. The bill allows small businesses and individuals to collectively purchase health in-

surance through association. This multiemployer welfare arrangement (MEWA) would be called an Association Health Plan. When enough participants are enrolled in such a plan, the plan would be allowed to self-fund under ERISA. Small employers would have an incentive to purchase insurance with the advantage of self-funding. This arrangement offers flexibility and control over costs.

James Murphy, FSA, is with Howard Johnson & Co. in Seattle, Washington and is the SOA Vice President overseeing the Health Benefit Systems Practice Area.

Statutory Valuation Morbidity Standards for Individual and Group Disability Benefits

The SOA has formed a task force to respond to a request from the NAIC Life and Health Actuarial (Technical) Task Force to address disability reserving issues.

Request

The NAIC model for Minimum Reserve Standards for Individual and Group Health Insurance Contracts references specific morbidity tables as the basis for calculating minimum statutory disability insurance reserves. The NAIC Life and Health Actuarial (Technical) Task Force (LHATF) requested the assistance of the Society of Actuaries to review the current tables (that is, 85CIDA, 85CIDB and 87CGDT) and, as appropriate, recommend revised disability morbidity tables. The reason for this request is that the NAIC has received reports that statutory

reserves based on the current morbidity tables frequently fail the tests of adequacy and reasonableness. Further, the NAIC requests that this review extend to contract and claim reserves and across all lines of disability insurance—group and individual, and short and long term.

The LHATF would also appreciate the comments of the Society of Actuaries regarding appropriate conditions that should exist when an insurer uses its own experience in establishing claim reserves. The NAIC Model currently permits this under certain circumstances during the initial period of disability.

SOA Response

The SOA has appointed Tom Corcoran to organize and chair this task force. The SOA believes a reasonable goal is to ac-

complish the following by the June 21, 1998 SOA Board meeting:

- Clarify and quantify the issues involved
- Recommend a timetable to develop new or revised valuation tables, as appropriate
- Identify the appropriate conditions for an insurer to use its own experience
- Recommend interim procedures and controls to be used pending the development of new or revised valuation tables

If you would like additional information regarding this task force, please e-mail Tom Corcoran at corcort@tillinghast.com or Karen Haywood at khaywood@soa.org.