

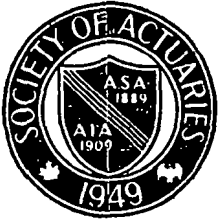


SOCIETY OF ACTUARIES

Article from:

# The Actuary

September 1980– Volume 14, No. 7



# The Actuary

The Newsletter of the Society of Actuaries

VOLUME 14, No. 7

SEPTEMBER, 1980

## TESTS OF A BUSINESS LIFE INSURANCE PROPOSAL

by *Ellis D. Flinn*

In this era of high interest rates, business life insurance funded by individual level-premium life policies has become popular, even to the point of undertaking to compete with group insurance plans.

It is easy and tempting to do what amounts to conjuring with facts and figures so as to show what good value these individual policy plans offer. But a proposal that fails to take all relevant points accurately into account may end up by conveying the false impression that the insurance doesn't cost anything.

We are seeing ordinary life insurance recommended for funding all sorts of benefit programs. It fills the role of chicken soup; it seems to be the answer, regardless of the question.

### Uses of Business Life Insurance Frequently Encountered

Industrial firms often feel that in these days of high taxes and high cost of living, they want to do more to help their key executives meet their financial obligations. Amid substantial competition for good executives, companies are trying to find an edge over their competitors. Hence companies have turned to the use of ordinary life insurance, one of whose merits is that it can be used in selected situations, steering clear of the restrictions placed on group insurance and on tax-qualified benefits.

Companies purchase ordinary life insurance on their executives to supplement existing life, disability and retirement programs and to help solve estate tax problems. The cost of these supplemental benefits can be kept low by providing them to only a select number of, rather than to all, employees. Amounts

(Continued on page 6)

## SPREADING WORD ON CAREER OPPORTUNITIES

by *Linda M. Delgadillo,*  
*Communications Manager*

Some readers may not know of the employment listing service the Society operates for its members. For a \$5 fee, a member can subscribe to an Employment Career Bulletin that lists current actuarial opportunities. The subscription list is confidential; only the Society office has access to it. A subscription runs for six months and is renewable each January and July.

The service works thus: Companies that have job openings for actuaries list these positions in the Bulletin through the Society office. To do so, a company sends us a Position Listing Form for each opening. This form gives the employer's name and address; who is to receive enquiries about the position; a job description; to whom the employee would report; education and experience requirements; and salary range. A \$75 fee is charged for each job description we accept.

Whenever a new job listing arrives, we send the Career Bulletin to all subscribers. It is then up to the subscriber, if interested, to write, phone or visit the employer.

Employers may like to know that for \$75 they reach up to 200 actuaries who are interested enough to have paid their fee within the last six months. And subscribers are likely to receive about one listing a month for their \$5. We believe that if more employers and actuaries can know about this service, such as through this article, both those circulations will grow. If you want to subscribe, send the \$5 fee along with your name, your address (which may differ from that used for Society mailings), and date you wish the service to start to: Society of Actuaries, Box 91901, Chicago, IL 60693. □

## HEALTH MAINTENANCE ORGANIZATIONS

by *John C. Turner and*  
*Michael J. Peninger*

John K. Kittredge's review of *HMO's and the Politics of Health System Reform* (May issue) comments that readers will "have to turn to other sources" to learn about Health Maintenance Organizations (HMO's). This article undertakes to describe, in a limited way, HMO's and the progress they are making.

The concept of prepaid medical care in the U.S.A. is not new. Several groups, notably the Kaiser-Permanente plans in California have been operating for many years. For the most part, though, the HMO movement is still in its first decade.

### What Is An HMO?

HMO's are organized delivery systems of comprehensive health care services (hospital and outpatient) to a voluntarily enrolled population in return for a fixed prepayment from each member. Traditional health insurance by contrast reimburses for a portion of expenses of treating sickness or injury as the policy specifies.

Because HMO's are at risk for services provided, they must emphasize efficient management and tight controls on use of services. Also they encourage minor treatments, traditionally given in the hospital, to be performed on a less expensive outpatient basis.

A typical subscription rate might be \$35 to \$45 per month for single coverage and \$95 to \$125 monthly for family coverage, a substantial portion of this being paid by the employer as for conventional health insurance. Individual

(Continued on page 4)