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Coping with the Flood of '93

by Warren R. Adams

The author served recently as chair of the C-1 Subcommittee of the Industry Advisory Committee to the NAIC's Working Group on Life Risk Based Capital. Those who worked with Warren Adams recall the many times that they referred to levels of adequacy of insurance risk capital in terms of the "100-year flood." Little did they know how soon Adams would have to cope not with a figurative 100-year flood, but with the real McCoy, and a 500-year variety to boot. Here's his story.

When the swollen Des Moines and Raccoon Rivers escaped their banks in downtown Des Moines Saturday, July 10, and early Sunday, July 11, they knocked out several power substations and flooded the city's water plant, cutting off the water supply for 250,000 people in the metro area.

The media reported that Iowa was experiencing a 100-year flood, but geological authorities say that Iowa hasn't had a flood of this magnitude since Columbus reached North America in 1492. Regardless of the historical debate, this was a disaster no one could plan for.

While the rest of Des Moines was scrambling to get drinking water for their homes, members of The Principal Financial Group's Recovery Control Team met to decide how to put the company back in business. The company relied heavily on a business resumption plan designed in

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Health Care Reform

What's it likely to be?

by Gary Hendricks

A hundred days after a hundred days, the Clinton administration has yet to unveil its proposal for comprehensive health care reform. Although we've all been drenched with leaks (mostly from the White House), even those close to the President cannot state with confidence what the package will look like. At this mid-August writing, our best source offers the following outline for what is likely to emerge from the White House.

The President's proposal will require that all employed and recently unemployed individuals be privately insured and that they choose their own health plans from among qualified Accountable Health Plans (AHPs) approved by their local Health Alliance (HA). Employers, although required to pick up 80% of the tab, cannot narrow or participate in a worker's choice.

Federal law would require states

to set up HAs as state or quasi-state agencies. HAs would negotiate with private sector AHPs. States would have one or two years to establish HAs, would have the flexibility to set up *de facto* single-payer or all-payer systems, would determine how HAs are to be staffed and administered, and would control the number of HAs in the state. AHPs could offer only a uniform benefit package but with a range of co-pay and deductible options. There would be some pharmaceutical benefits with a significant deductible (say \$300) and co-pays (maybe 30%) and an annual out-of-pocket maximum of about \$1,200. (These benefits also would be added to Medicare.) There would be some mental health benefits. Supplemental packages would be available for uncovered services but could not cover deductibles and co-pays. Permissible designs for AHPs would include

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Flood of '93 cont'd

1990 that outlined the steps needed to keep the Corporate Center running in the event of a disaster.

Facilities Management and Information Services employees worked around the clock. They had been warned that the city's electrical system was in danger. When power went out Sunday, they were ready. Emergency generators kicked in, continuing operation of the computer mainframe.

Original estimates projected no water or power in downtown Des Moines for a week. The Principal's primary concerns were to maintain the remote network and keep the field connected to the mainframe computer. Computer Services employees were successful in enabling the field to continue business as usual. By transferring files from one mainframe to another in the Corporate Center data center, they ensured that no data was lost.

With a limited crew of employees, Computer Services set up a system so the Corporate Center could continue to provide essential services to customers. Tuesday, two days after the flood, the Group Claim system processed 2.8 million claims, compared with a daily average of 3 million.

Communications administration staff programmed an 800 number to handle all incoming customer phone calls with a prerecorded disaster message directing customers to the 800 number. The line averaged more than 5,000 calls a day.

Business units each handled customer service as needed. Pension department employees called customers they knew would have a service need during this time. The Des Moines office of an investment subsidiary rerouted calls to its headquarters in Dallas as brokers worked from their homes.

Employee effort was a key element in the process. Dave Hurd, The Principal president and CEO, said, "What happened during business resumption was that people operated outside the bounds of their normal jobs and took their abilities and used them in new and creative ways to get the mission accomplished."

President Dave Drury noted, "It was very difficult for a variety of reasons — transportation difficulties, flooding in homes, lack of water, and

electricity. We had a tremendous response from employees, even though the working conditions were quite unbearable at times."

The 6,800 employees worked in shifts from Tuesday, July 13, through Friday, July 23, with limited power and no water. Most did not have access to all the resources they use in performing the work. Only the lower floors of each building were used to assure adequate fire and safety protection.

Before employees could return to work, even on a limited basis, Facilities Management addressed many health and safety concerns, including setting up portable toilets, cleaning and sanitary services, removing flammable material in the buildings, setting up emergency portable cooling units for computer equipment, and ensuring an ongoing supply of sanitary drinking water for employees. In addition, floor monitors were needed to make sure employees were not working in closed areas. The Principal joined with others in the Des Moines community to help those most hurt by the disaster. The Principal Financial Group Foundation, Inc., donated \$1 million to the flood relief effort. The company also coordinated donations from field and home office employees, agents, brokers, and customers.

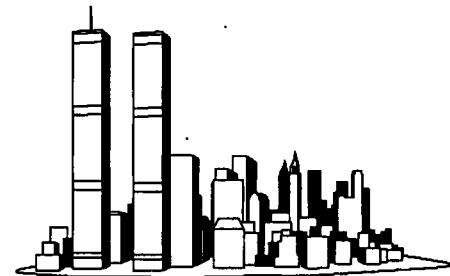
A group of 15 actuarial department employees helped the Chamber of Commerce calculate a flood damage estimate for federal disaster officials. The estimate was needed for businesses to qualify for federal assistance.

Other employees helped with sandbagging, delivered water to shut-ins, cleaned flood-damaged areas, and worked at the United Way flood hotline. The Principal provided the city with a list of employees to fill in at city administrative offices for overworked employees.

The worst has passed, and working conditions have gradually improved. The company has learned that it can function effectively in a very stressful and unusual situation to maintain a good level of customer service.

Warren R. Adams is director of actuarial education and research at The Principal Financial Group, Des Moines.

SOA stages meeting in Big Apple



This year's annual meeting, October 17-20, is in the heart of New York. The meeting hotel, the New York Marriott Marquis, has the only in-hotel Broadway theater in the world. It is within walking distance to Times Square, Fifth Avenue shopping, the Empire State Building, Rockefeller Center, Carnegie Hall, and Madison Square Garden.

Keynote speakers Paul Tsongas and Warren Rudman will bring their show off the road into the bright lights of the SOA opening session October 18. They have teamed up to form the non-partisan Concord Coalition to inform the public about the serious economic threat of the budget deficit. They will tell Society members how they can help business and government work together for real economic growth.

President Walter Rugland's "Ask an Actuary" program prompted actuaries to make themselves more visible as managers of financial risks and urged them to "ask us to be part of your problem solving team." This theme will be carried throughout the meeting with 130 sessions updating skills and showing wider application of these skills in financial problem analysis and solutions.

The Health Section is sponsoring a breakfast Tuesday, October 19, with speaker Gary Claxton, special assistant to the deputy assistant for health policy in the Department of Health and Human Services, and a follow-up panel of four actuaries discussing health reform. Myron Kandel, financial editor of CNN Business News, will speak at the Product Development lunch, Wednesday, October 20.

For more information on the annual meeting, call the SOA meeting department, 708/706-3545.