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The IAAHS Online Journal Main Page

Welcome to the 2007-1 issue of the IAAHS Online Journal.

This issue continues the theme of the IAAHS members and teams contributions, summarizes the ICA2006 (www.ica2006.com) Paris meeting and the related IAAHS participation, and presents the IAAHS2007 (www.iaahs2007.com) Cape Town colloquium. You will find in this issue a request to participate in a IAAHS survey on International Actuarial Practices, and an offer to join at no cost the SOA Reinsurance Section. We hope for your active participation in IAAHS2007, as a presenter, discussant, or as a listener and participant.

We invite your active IAAHS participation, either by joining an IAAHS Topic Team, or by sharing your knowledge and experience through this Online Journal or a Topic Team discussion page with the IAAHS community. We need your input – comments, suggestions, references and resources, articles and work papers. The Journal will only be as successful as you make it. We wait your input – please refer all communications to the editor, Yair Babad.

The International Actuarial Association Health Section (IAAHS) was created by the IAA on May 17, 2003, following the success of the 1st International Health Seminar in Cancun in March 2002. The IAAHS promotes and facilitates international exchange of views, advice, research and practical information among actuaries involved with public and private health issues such as policy and program design, research and planning, adequacy and services delivery, sustainability, insurance, pre-funding and other financing methods. The IAAHS is managed by the IAAHS Committee, according to the IAAHS Rules. Since then we had a very successful 2nd International Health Colloquium in Dresden in April 2004, participated in the ICA2006 in Paris (www.ica2006.com) in June 2006, and are preparing for the IAAHS2007 in South Africa in 2007.

The Online Journal supports the objectives of the IAAHS, and is a non-refereed forum for communications and knowledge-sharing for IAAHS members, health actuaries, professionals, academics, and others who are interested in private and public health issues.

With wishes for a fulfilling and successful year,

Howard Bolnick  
IAAHS Chairman

Yair Babad  
Online Journal Editor

Ibrahim Muhanna  
IAAHS Vice Chairman
IAAHS activities

IAA Health Section Update

Update Report to the IAAHS Members

Howard J. Bolnick, Chairman, IAA Health Section

Report to IAA Council. Edinburgh, Scotland, UK, October 2, 2006,

IAAHS prepared and put-on a well-attended health track during ICA 2006 in Paris. Our thanks to IAAHS Committee member Claude Ferguson for the significant time and effort he put into developing this successful track.

Following ICA2006, we quickly turned attention to our next full health colloquium, which will be hosted by The Actuarial Society of South Africa (ASSA) in Cape Town on May 13-16, 2007. This colloquium will be a “must-attend” event for all health actuaries. There will be a very full and interesting scientific program, superb keynote speakers, and an enjoyable social program. The ASSA Cape Town Organizing Committee, supported by IAAHS members, has been hard at working finalizing plans for the colloquium and communicating information to potential attendees.

Our 8 Topic Teams continue to gather momentum. They currently have more than 75 volunteer from over 20 countries. Our near term goal is to begin providing IAAHS members with information that will be useful to their health actuarial practice. Topic Teams also will play a leading role in the program at the Cape Town colloquium.

Report of IAAHS Meetings

The IAAHS Committee met in Edinburgh, Scotland in November as a part of the IAA Council and Committee meetings. The Committee meeting was devoted to planning for our May 2007 International Colloquium in Cape Town."


Health Section Sessions in ICA2006 in Paris, 1 – 2 June, 2006 - Summary

Claude Ferguson, the IAAHS representative to the ICA2006 Program Committee

In retrospect, Paris 2006 will have been a fairly successful event, gathering more than 1,500 delegates over a week. The IAAHS sure contributed to this success, coordinating or sponsoring 11 sessions on themes all related to healthcare. These sessions succeeded in roughly attracting 150 to 200 attendees split in 2 parallel session streams during the 2nd the half of the Congress.
There’s no question that contemporary healthcare issues have more and more of an impact on our lives and many aspects of actuarial practices around the globe. This was exemplified by the scope of the subjects covered – and the frustrations of not having more time to dig deeper in each of the presentations. That’s because many of the sessions held in Paris only provided an opportunity to catch a glimpse at many of these issues that actuaries are more and more facing now, in every parts of the world.

Among others, the following caught the attention of many healthcare actuaries:

1. **Long Term Care**: The question is how are insurance programs adapting to the challenge of ever increasing life expectancy and the ensuing attempts to add QALYs (Quality-Adjusted Life Years)? The reality is that some countries and markets have now been witnessing market changes with LTC over more than 20 years now. It was enlightening to hear what Nicolas Marescaux had done to better translate the needs of various market segments into higher profitability or how Bruno Massonnet made use of public viatical studies to update LTC claims patterns.

2. **Critical illnesses**: Here’s another so-called emerging product that’s been around for more than 20 years, and is now evolving in a very mature stage. Sue Elliott’s team sure did prove that this product is healthy and dynamic worldwide, as it continues to evolve rapidly into new designs.

3. **Numerical methods & data mining**: Dan Steinberg and Jon Shreve both made convincing presentations of tools his teams have been using to perfect predictive modeling in a world where we’re now confronted with massive amounts of sometimes incomplete data.

4. **Income Replacement**: Dan Skwire, Edward Fabrizio, Alexander Roux and Denis Garand have certainly succeeded in putting Income Replacement industry experience trends in an international perspective, and showing how actuarial input may be valuable in benchmarking claim and underwriting performance.

5. **Predictive Modeling and Risk Adjusters**: Jon Shreve presented the results of a research study his firm performed to identify optimal methods for renewing small groups using risk adjusters and lifestyle data in a competitive environment.

6. **Hospital/Medical Risks and Reinsurance**: Brent Walker had a great crowd to review the latest development in Australia and how Hospital/Medical risks and reinsurance could evolve under the current environment.

7. **Health Care Reform & Voluntary Health Insurance**: Cristina Gutiérrez Delgado, Eduardo Lara, and Froylán Puente covered some of the actuarial issues relevant in evaluating the performance of alternative strategies to manage public and private healthcare in Latin America.
ICA2006/IAAHS PROGRAM

All of the papers and the scientific program are posted to the Congress website at the url: http://papers.ica2006.com/.

ICA 2006 SCIENTIFIC PROGRAM

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ICA 2006/IAAHS SCIENTIFIC PROGRAM DETAILS

For some presentations links are provided below. For others, links can be found at the authors link of ICA2006 at http://papers.ica2006.com/auteurs.html.

Thursday June 1, 8:30 – 10:30 - Critical Illness
Organized by Critical Illness Committee Chair Sue Elliott (Watson Wyatt)
Two presentations were prepared for Paris ICA 2006. The first was an overview of the key CI markets around the globe and the second was a summary of the common issues emerging around the globe.
“Critical Illness – Global Market Overview”
Sue Elliott, Neil Hilary, and Peter Temple

Thursday June 1, 8:30 – 10:30 – Stochastic Dependence & Various Topics
“Cost of acute lymphoblastic leukemia treatment for pediatric patients in Mexico”
Cristina Gutierrez Delgado, Angel Campos Hernandez, Eduardo Gonzalez Pier
“Dependence between mortality and morbidity: is underwriting scoring really different for life and health products?” (PowerPoint Presentation)
Andrey Kudryatsev

Thursday June 1, 11:00 – 12:30 - Experience Trends for Income Protection
Organized by Income Replacement Committee Chair Dan Skwire (Milliman), with Eddy Fabrizio and Denis Garand
We had four speakers participate in two sessions, and we had attendance of 50-80 people at each session, including representatives from six continents. I thought the meeting was quite successful, and we look forward to preparing some sessions for the 2007 Cape Town meeting.
“Experience trends for Income Protection”
Daniel Skwire, Edward Fabrizio, and Denis Garand

Thursday June 1, 11:00 – 12:30 – Actuarial Problems Related to Baby-Boom & Various Topics
“Population distribution and business trend of life insurance in Japan”
Jun Miyamoto, Takahiro Ikoma
“A strategy for a competitive, profitable and solvable insurance product? Know your customers”
Nicolas Marescaux
“Overview of Latin American Health Systems Reforms and their Impact to Private Health Insurance Market”
Eduardo Lara (Milliman)
“Making free market work for healthcare industry - the case of Taiwan”
Chang Chiu-Cheng
Thursday June 1, 14:15 – 15:45 – Public Health Programs - Health Risk Management
“Public safety enterprise health risk management case study: transferring and reducing risk”
Juan Kelly
“International medical underwriting approaches and the impact on profitability”
Aree Bly

Thursday June 1, 16:15 – 17:45 - Claims & Underwriting Issues for Income Protection
Organized by Income Replacement Committee Chair Dan Skwire (Milliman), with Alex Roux and Eddy Fabrizio
We had four speakers participate in two sessions, and we had attendance of 50-80 people at each session, including representatives from six continents. I thought the meeting was quite successful, and we look forward to preparing some sessions for the 2007 Cape Town meeting. “Claims and Underwriting Issues for Income Protection”
Alexander Roux, Edward Fabrizio and Daniel Skwire

Thursday June 1, 16:15 – 17:45 – Medical Reinsurance
The session went off OK. Presented the enclosed PowerPoint and got only a couple of questions at the end so the session finished a little early. There was between 30 and 40 people in attendance. “Hospital/Medical Risks & Reinsurance”
Brent Walker

Friday June 2, 8:30 – 10:00 – Data Mining - Predictive Modeling
“Data Mining Methods of Predictive Modeling in Actuarial Practice”
Dan Steinberg (Salford Data Mining)
"New Developments in Predictive Modeling"
Jon Shreve (Milliman)

Friday June 2, 10:30 – 12:00 - Long Term Care
“LTC: the development of transition matrices and modeling”
Bruno Massonnet
“Trends in the evolution of LTC markets”
Laure Olié, Lise He, Lucie Taleyson (SCOR)
Upcoming IAAHS Meetings

IAAHS 2007 4th International Health Colloquium in Cape Town, 14 – 18 May, 2007

To access the Colloquium web page, use the url: www.iaahs2007.com. On this URL you will also find links to registration, a call for papers, and to the detailed program.

For the most current information on the Colloquium, see the latest newsletter at www.iaahs2007.com.

LETTER FROM THE IAAHS 2007 CAPE TOWN ORGANISING COMMITTEE

Dear Colleagues,

It is my great pleasure to invite you to attend the IAA Health Section Colloquium 2007 in Cape Town, South Africa. This is the first time that the IAAHS has held one of its gatherings in Africa and the Actuarial Society of South Africa is delighted to host the event – we hope health actuaries from around the world will join us.

IAAHS 2007 is an international event at the service of health actuaries. Your contribution is vital to the success of the colloquium and we encourage you to attend and exchange knowledge and experience. Under the theme ‘Change – the Only Constant’, the program will address the challenges facing health actuaries and help us to find the most appropriate responses.

A vibrant social program is also on offer, and we hope that the accompanying persons program will encourage you to bring your families. Cape Town is honored to host IAAHS 2007 and delegates and guests can be assured of a warm and friendly welcome.

We are certain that your visit to Cape Town will be rewarding!

Yours sincerely,

Emile Stipp
Chairperson
IAAHS 2007 Organizing Committee
SCIENTIFIC PROGRAM

CHANGE IS THE ONLY CONSTANT

Few industries can boast having such a large number of stakeholders – from product and service providers to regulators and insurers, to each and every one of us as health service recipients. Interests vary from regulatory, social and humanitarian, to profit driven arenas. With many of us involved in more than one aspect, often on both a professional and personal level, it is no wonder that there is constantly a need to effect change where the intended carefully balanced scale has shifted.

As South Africa finalizes a government employee medical scheme making health care more accessible to the lower income market, the UK industry recognizes gaps in public health care and focuses more on top-up private health care benefits. While China grapples with the reappearance of previously eradicated diseases such as tuberculosis, the US faces increasing challenges of obesity. In Europe, Ireland attempts to implement risk equalization amongst the main health insurance providers, while Germany seeks to reduce the cost of state health care provision. And in between, countries throughout Africa struggle to make any form of health care provision available to their citizens.

These vastly different challenges illustrate that the health care industry has no global “right answer”. Join us at IAAHS 2007 to investigate what global lessons can improve your change variable…

Topics to be discussed will include:
EPIDEMICS AND HEALTH INSURANCE
Exploring the demographic and financial impact of Avian Flu and HIV/AIDS.

RISK SHARING MODELS
Scientific analysis of models for sharing risks between those who insure health risks (insurers) and those who provide the medical services (doctors), techniques of managing such risks, etc.

DEVELOPMENTS IN HEALTH CARE TECHNOLOGY
The impact of genetics.

MEDICAL INFLATION
How to actuariam evaluate risks associated with cost drivers, etc.

CONSUMER-DRIVEN HEALTHCARE
What is the appropriate role of increased consumerism in healthcare? Does competition equate to higher quality and more flexibility? Can consumer-driven healthcare help contain costs?
TOPIC TEAMS
Parallel sessions developed by the Health Section Topic Team leaders will include discussions devoted to:

- Critical Illness Insurance
- Income Protection Insurance
- Long Term Care Insurance
- Private Medical Expense Insurance
- Health Risk Adjustment
- Health Systems in Developing Countries
- Public-Private Health System Partnerships and Voluntary Health Insurance
- Traditional, Complimentary and Alternative Medicine

SOCIAL PROGRAM
The social program will give visitors and locals alike the opportunity to enjoy the varied highlights of one of the most beautiful cities in the world.

Welcome Reception – Sunday 13th May
A Welcome Reception will be held after delegate registration on Sunday, 13th May. This is an opportunity to catch up with colleagues and plan your schedule for the colloquium. The Organizing Committee will host this reception at a venue showcasing Cape Town’s amazing views, allowing delegates to orient themselves in the city. This event is included in the delegate fee and accompanying persons are invited.

Winelands Excursion – Tuesday 15th May
This mid-colloquium break provides an opportunity to connect with other delegates in a less-formal atmosphere and enjoy one of the Cape’s most extraordinary attractions. An afternoon excursion to one of the historic local wine estates will include wine-tasting, cellar tours, a gourmet luncheon and other epicurean delights. Wine-lovers as well as those that do not indulge will be able to relax in the idyllic setting. This event is included in the delegate fee and accompanying persons are invited.

Gala Dinner – Wednesday 16th May
A gala closing dinner will close out the colloquium in style. Delegates and accompanying persons are invited to enjoy an evening of gourmet cuisine and live entertainment as we say farewell at the end of a productive gathering. This event is included in the delegate fee and accompanying persons are invited.

ACCOMPANYING PERSONS PROGRAM
Cape Town is a friendly, accessible city with much to offer in close proximity to the Convention Centre. The Accompanying Persons program was developed in order to encourage delegates to bring their families along on the trip to South Africa. Accompanying
persons are invited to take part in the full IAAHS 2007 Social Program, as well as the following tours:

**Cape Town Orientation – Monday 14th May**
This is an opportunity for accompanying persons to gain insight into the history, culture and architecture of Cape Town while taking in the unsurpassed views from sites all around the central city area at the foot of Table Mountain known as the City Bowl.

Weather permitting, guests will be transported in an open-top bus, and will take the cable car to the top of Table Mountain.

**Robben Island – Wednesday 16th May**
Guests will depart from the Nelson Mandela Gateway at the V&A Waterfront on a short ferry trip to the infamous Robben Island. Notorious for Nelson Mandela’s incarceration there, the island offers an emotional and compelling look at part of South Africa’s past. Tours of the island and the prison are led by former political prisoners who add a very personal insight into the island and its history.

No visit to South Africa is complete without a visit to this UNESCO World Heritage Site.

**SPONSORSHIP**

The Sponsors of IAAHS 2007 include:
- Momentum
- Discovery
- Deloitte
- Humana
- The Health Monitor Company
- Milliman Consultants and Actuaries
- Metropolitan Health Group
- American Academy of Actuaries
- Society of Actuaries
- Lekana
- MediKredit

Team Reports and Activities

The IAAHS Topic Teams bring our Health Section members together to work on problems and areas of interest to a broad cross-section of the members. Teams we currently have are:

**Product Teams**
- Critical Illness Insurance (Sue Elliot, U.K., sue.elliott@watsonwyatt.com)
- Income Protection Insurance (Daniel Skwire, U.S.A., dan.skwire@milliman.com)
- Long Term Care Insurance (Allen Schmitz, allen.schmitz@milliman.com)
- Private Medical Expense Insurance (Ulrich Stellmann, Germany, ulrich.stellmann@dkv.com)

**Process Teams**
- Health Risk Adjustment (James Matthisen, U.S.A., James.Matthisen@mercer.com)

**Policy Teams**
- Health Systems in Developing Countries (Alvaro Castro, Switzerland, alvarocg@bluewin.ch)
- Public-Private Health System Partnerships – including Voluntary Health Insurance (Howard Bolnick, U.S.A., hbolnick@kellogg.northwestern.edu)
- Traditional Medicine / Complimentary and Alternative Medicine (Heather McLeod, Republic of South Africa, hmacleod@iafrica.com)
You are encouraged to join the team of your interest. You do not have to be a member of the IAA to join the IAAHS or the teams; we recognize “observer” members, including non-actuaries and actuaries that are not members of the IAA, who are interested in participating in the IAAHS activities. If you are interested in joining a Topic Team send an e-mail to Howard Bolnick. To join the IAAHS please complete the online registration form and the new member survey to become a member.

**Health Section Topic Team Activities and Reports**

Members of the IAAHS now have access to Topic Team area on the IAAHS web site; to this end get to the IAAHS portal, and login as an IAAHS member.

**Income Protection – Dan Skwire, Team Leader**

The following report was sent on November 13, 2006 to the team:

I wanted to touch base with everyone on a couple of issues.

1. IAAHS Colloquium in Cape Town
   First, we are in the process of planning for the IAA Health Section (IAAHS) Colloquium to be held in Cape Town, South Africa on May 14-16, 2007. I have attached a preliminary draft of the program for that meeting. We plan to hold one or more income protection sessions at that meeting, but have not yet determined the specific content or the speakers. Please let me know if you have thoughts for topics that would be of interest to you, and if you plan to attend the meeting.

   One thought I had for the meeting was that it might be interesting to have a session related to HIV risk that covered multiple product lines (health, income protection, and critical illness, for example). This is a topic of great interest in South Africa, and there are extraordinary differences from country to country in the nature and management of this risk. I've copied Sue Elliott and Howard Bolnick on this note to see if they think this would be a useful session and where it might fit in to the program.

2. Income Protection Website
   One project our topic team had discussed in some of our initial meetings was the creation of a website that would be a repository for information of interest to those of us in the business. It could include information such as upcoming events, links to data sources on disability trends, and ad hoc research on issues of interest to the group. (For instance, we had talked about putting together some quick summaries of underwriting issues that we would then make available on the website). I will coordinate this work, with technical help from the IAA staff, but I would very much like to see your "wish list" for items that would be of interest to you. Then we can jointly figure out how to gather the information and make it available to everyone.
3. Membership List

I've attached my current membership list. If any of your information has changed, if you no longer wish to be on the list, or if you have a suggestion for someone else to join the group, please let me know.

Thank you for your continued involvement with the Income Protection Topic Team. I look forward to reconnecting with everyone and moving ahead with the IAAHS Colloquium and our website.

Public-Private Health System – Howard Bolnick, Team Leader

The following report was submitted to the team on June 26, 2006:

The IAAHS Public-Private Partnership Topic Team was asked by the OECD to contribute its input to two of their ongoing private health insurance projects. The first project is to review a questionnaire used by OECD to gather information about private health insurance from member country governments. The Team's work product is enclosed. The work was done by a group of PPP Team members headed by Lisa Beichl (Denmark and the U.S.A.). My thanks to Lisa and other PPP Team members who contributed to this effort.

The PPP Topic Team, headed by Lisa Beichl (Denmark and the U.S.A.) has also submitted comments to OECD on the OECD Report on Private Health Insurance in OECD Countries.

Traditional Medicine / Complimentary and Alternative Medicine (TM/CAM) - Heather McLeod, Team Leader

Integration issues

Almost a decade ago I attended a conference of Naturopathic physicians in Seattle where John Weeks spoke about the need to integrate CAM with "mainstream" medicine. He has for years written a report in the Townsend Letter (see the journal at http://www.townsendletter.com/) on trends in integration. He has been one of the few people writing about CAM being included in the funding of healthcare - a topic I want the TM/CAM team to focus on.

I have recently made contact with John and enclose two papers he wrote on the question of integration in giving evidence in the USA [John Weeks Integration Issues US NIH and AHCPR October 1996.pdf and John Weeks White House Commission Testimony May 2001.pdf]. He writes about the issue I think is the core problem we want to address: if TM and CAM are so widely used by consumers around the world, why do we almost never see them reimbursed or provided for in healthcare plans? Are we, as actuaries, contributing to that gap? And if so, is it because of a lack of knowledge about these healing modalities on
our part? Or is it the lack of data as suggested by John in his comments on Tom Snook's work [Snook Milliman Alternative Medicine.pdf].

I would be interested to hear your thoughts on the core problem we face and issues we need to tackle.

John Weeks now writes a regular "Integrator Blog" which you can find at http://www.theintegratorblog.com There is also the CAM Report. Another blog on CAM at http://www.thecamreport.com

**Long Term Care Insurance – Allen Schmitz, Team Leader**

On August 24, 2006 the team leader started a Topic of the Month effort:

In an effort to begin some topical discussion among team members, I would like to have an email conversation about a different topic each month. To start things off, I suggest we discuss **morbidity data sources**. Since data is an important input needed to appropriately price or analyze a public or private LTC insurance program, I think it will be a good place to start discussion as to what various countries / practitioners are using for data.

Over the next month, I will provide a listing (and potential web links) of some data sources commonly used in the US. In general, there are a number of population based data sources such as the National Nursing Home Survey and the National Long Term Care Surveys that have been a common data source used to price LTC. In addition, the Society of Actuaries collects claim data from LTC insurers and distributes a report of that experience. As LTC insurers gather their own claim experience data, some of the larger insurers are able to obtain a credible base upon which to price products.

We would all be grateful if members of the group would be willing to comment on data sources they have used or are aware of. Any background on the data source will be appreciated. Thank you.

In providing some information on the Topic of the month - **Morbidity Data Sources**:

Attached is a listing of several population based data sources used in the US to estimate LTC costs. The most popular are the National Nursing Home Surveys and National Long Term Care Surveys.

With respect to insured experience, as mentioned below, the Society of Actuaries web site contains a report on insured LTC experience. This information is helpful, but must be used carefully.

In general, most of the major LTC insurance companies in the US use their own data supplemented with data from reinsurers or consultants to price LTC insurance.
In October 2006 the team dealt with Funding Sources of LTC:

I performing some research recently on the funding sources of LTC in the US, I came across a couple of interesting sources. I think it would be interesting to all team members if anyone can share the primary funding sources of LTC in their country or any other country with which you are familiar.


I would suspect that a large amount of care is "donated" by family and friends, and the sources above estimate that amount of care to be about 36% of all LTC delivered in the US. Any estimates or opinions others can share for other countries would be appreciated.

Additional information was provided for Ireland: In Ireland a very significant proportion of LTC is "informal" i.e. provided by family and friends. A report on LTC financing in Ireland that may be of interest is available at:


Related to that issue, the team also considered family care situation in Europe:

May I draw your attention to the EUROFAMCARE study at http://www.uke.uni-hamburg.de/extern/eurofamcare/. This study thoroughly investigated the family care situation in Europe.

The national background reports on the EU member countries and some further European countries are available at:

For many European countries I think the the burden on families is much higher than the 36% cited by Al. I would assume it to be rather in the order of 70% to 90%. There is however one practical problem when comparing such numbers:

You can either look at the share of care arrangements by the number of people who need care. Or you try to analyse the number of care hours spent by family members, professional home health care services, nursing homes etc.

The share of family care using the 2nd method is certainly lower: the more severe the care level is (thus requiring more time), the more likely it is that the dependent will receive formal care. Reliable numbers based on the 2nd method will normally be more difficult to obtain than numbers based on the 1st method.
IAAHS Members Inquiries

Collective LTC Policies

Request by Yair Babad
At issue are collective LTC policies - i.e., policies owned by an organization / employer for its members / employees (the insureds). Specifically:

1. Does such a policy has a paid-up (or redemption) value / conditions, to be applied when an insured leaves the collective arrangement (e.g., leaves the organization or the employer)? In other words, will such a person be continued to be insured in the future according to the paid-up value / conditions? [note that it is not asking about conversion to a personal continuation policy]

2. In Israel many such policies have a minimal acceptance process, usually just a medical declaration which sometimes leads to a longer waiting period for pre-existing conditions - and that is based on the premise of minimal constraints to the enrollment of the organization / employer members / employees [personal LTC require at least a medical declaration, often followed by more details medical exams and underwriting process]. The question asked is "is a collective policy with a (full) personal underwriting considered a personal LTC policy"? [the reason for this question is that personal policies have different reserving, paid-up, and other terms than collective policies (in which cross-subsidization of "poor" members by "good" members is accepted, this preventing "true" personal attributes as "personal reserve", etc.)]

If the answer to either question is (partially or fully) yes, please provide the details?

Response by Bob Yee
My responses are based on U.S. practices:

1. Group coverage is typically voluntary with the group members paying the premiums. When they leave the group, the members simply takes the coverage with them and continue paying the premiums. In cases where the employer pays all or a portion of the premiums, the employees will assume paying the employer’s portion. Individual or group policies seldom have paid-up values. Meaningful values will add substantially to the premiums. Nonforfeiture values are not required by state regulations with one exception. All policies are guaranteed renewable, meaning that premium rates can go up or down according to experience on a class basis (i.e. on a premium rate class, a policy form such as a large group policy, or a group of similar policy forms). The exception is that, when the premium rate increases exceed a percentage (varies by issue age) of the original premium, the affected policyholders can lapse the policy and receive a paid-up benefit where the maximum payable, if qualified for LTC benefits, equals to the sum of all premiums paid.

2. Because group coverage is mostly voluntary, it is regulated like individual coverage with no differences in reserving, policy provisions, benefit eligibility criteria, etc. Regarding reserve practices, the reserves under group coverage may well be different from that under individual coverage because of the differences in claim cost and
persistency assumptions. Group coverage generally has more liberal underwriting standards and the persistency is influenced by employee turnovers.

**Response by Avi Bar-Or**
My reply applies to the situation in Israel. Firstly I would like to comment that your question is more a regulatory/legal than actuarial.

The current regulations don't define what is a group policy, however they do set some rules regarding what should happen with those who cease to be members of the group (or the group cover lapses). The idea is that whoever has been insured under a group policy, for at least 3 years, is entitled (upon leaving etc.) to continue the cover as an individual policy in return to a premium at the regular rate applicable to all of the individual insured's of the insurer.

No evidence of health is required at the time of taking the individual policy. Since the regulations are in Hebrew, I do not attach them (if anyone is interested I can mail it to him).

While for individual policies the regulations require a paid-up value for policies with a level premium (and from age 65 all cases must be on a level premium basis) there is no such requirements for a group policy.

I don't think that the underwriting requirements as such defines the policy as being individual or group.

**IAAHS Requests for Members Participation**

**IAAHS Survey on Key International Actuarial Practicces**

To: All IAAHS Members

Re: Volunteers Needed: Help Contribute your Country’s Actuarial Knowledge

Fellow members,

To improve the sharing of actuarial best practices in medical expense policies internationally, the IAAHS will be sponsoring a survey to gather input on key international actuarial practices (e.g., projection of claim costs) and issues (e.g., regulatory limits on rating). The survey will take two parts, the first to gather the most important items, and the second to conduct interviews about the approaches used to these items. The results of this survey will be published and available to all members of the international community.

We are requesting volunteers, to help increase the number of people surveyed. Volunteers could either help give us good contact information, help contact their contacts directly as part of this survey and/or make recommendations to improve the response. We are particularly
interested in getting good information for the Australia, Brazil, Canada, Germany, Hong Kong, Japan, Malaysia, Netherlands, Singapore, South Africa, United Kingdom, and United States, but would like to include as many countries as possible in this survey.

We will perform this survey in two phases: 1) survey to gather a list of core actuarial practices and issues from as many contacts (in as many countries) as possible, and 2) choose the top items from this list to develop a more in-depth profile of how actuaries in different countries approach these items.

If you are interested in helping, or think you might be, please contact me at jon.shreve@milliman.com, or +1(303)299-9400.

Jon Shreve, FSA
Principal & Consulting Actuary
Milliman
Denver, Colorado

Offers to IAAHS members

Society of Actuaries Reinsurance Section Council Membership

The following offer was sent to Howard Bolnick, IAAHS Chairperson, by Mark Troutman (Mtroutman@summit-re.com) on August 17, 2006. Offered is a free Society of Actuaries Reinsurance Section membership for the remainder of 2006 and all of 2007:

I have received authorization from the Reinsurance Section Council to offer one year free membership to International Actuarial Association Health Section members. In essence, the Reinsurance Council fee of $30.00 would be waived so people could check out being a member of the Reinsurance Section. They would be billed the $30.00 at renewal and could continue or cancel their subscription. I would ask for any similar offer if the Reinsurance Section Council members for IAAHS membership if there are newsletters or other activities in which prospective RSC members may benefit.

I expect only a modest amount of activity either way, but it’s important to try and establish links with other organizations that will strengthen abilities to deliver health care / reinsurance content to their respective membership.

Please contact Mike Bell or myself if you have any questions. I think all one need do is send a notice to him (mbell@soa.org), and he’ll get them on the appropriate distribution list.
Conferences, colloquia, seminars, and similar activities

Past activities – available for view

2006 Long-Term Care Colloquium, June 24, 2006, Seattle, Washington, USA

Building bridges: making a difference in Long-Term Care – 2006 Long-Term Care colloquium, an initiative of AcademyHealth and the Commonwealth Fund. This year's Long-Term Care Colloquium, on June 24 in Seattle, was comprised of stimulating discussions on the potential of technology and the prevention and improvement of transitions between settings, in addition to 20 poster presentations on new long-term care research.

*New* 2006 Colloquium Audio Online!
Were you unable to attend due to a conflict or thunderstorms? The 2006 meeting proceedings are available over the internet. Please follow the links below to listen over your computer:
- 2006 Colloquium Morning Sessions – Technology & Aging Services
- 2006 Colloquium Afternoon Sessions – Transitions Between LTC Settings

Participate in a Workgroup!
Building on the 2006 Colloquium, workgroups on Technology & Aging Services and Transitions Between Settings will be starting soon. Please let us know if you are interested in taking a leadership role in launching these workgroups or initiating new discussions or activities within our existing workgroups. Please email ltc@academyhealth.org if you would like to get involved with any of the following workgroups:
- Technology & Aging Services
- Transitions Between Settings
- Consumer-Directed LTC
- Housing & LTC
- Quality Improvement in Home Health Care
- LTC Workforce Issues
- LTC Financing Promoting Culture Change


Where can you learn about the hottest trends and emerging issues in critical illness insurance? LIMRA, LOMA, NACII, and SOA have come together for the first time to sponsor The Critical Illness Insurance Conference — Evolving Product, Evolving Market.

Join us September 25–27 in Phoenix, Arizona to:
- Gain insights into the product and market
- Improve your ability to analyze problems and challenges related to CI
- Learn how to find creative solutions to those problems
• Better understand how to communicate solutions to all levels of management

You can choose from informative sessions that cover all aspects of CI, featuring senior executives’ strategies as well as the actuarial, underwriting, claims, sales and marketing, and reinsurer perspectives. Also, through lively breakout sessions, you can share ideas and experiences with other attendees.

Who should attend? Anyone who currently has or is investigating a CI product, especially product development specialists, marketing officers, sales professionals, senior operations executives, and industry consultants.

For more information, go to: http://www.limra.com/events/EventDetail.aspx?ID=295

Coming future activities

2007 Long-Term Care Policy Seminar, February 14, 2007, Washington D.C., USA

Join key policymakers and researchers for a policy discussion addressing transitions in long-term care. Mary Naylor, Ph.D., R.N., University of Pennsylvania School of Nursing, will discuss the importance of this topic and identify areas where public policy might serve to limit the number of transitions and make those that are necessary more transparent.

A panel of renowned experts will place the evidence in a "real world" policy and operational context, as well as discuss how broader long-term care issues might best be addressed. To date, confirmed panelists include Meg Bourbonniere, Ph.D., G.N.P., at Yale University School of Nursing and Susan Reinhard, Ph.D., co-director of the Rutgers Center for State Health Policy. Additional panelists will address federal policy implications, as well as the role of technology in the transition process.

The Building Bridges Policy Seminar will be held in conjunction with AcademyHealth's National Health Policy Conference, in Washington, DC. Separate registration is required for the Policy Seminar. For more information, contact ltc@academyhealth.org or visit our website.

Building Bridges: Making a Difference in Long-Term Care
2007 Policy Seminar
Wednesday, February 14, 2007
8:30 am to 12:30 pm

Capital Hilton
1001 16th Street, NW
Washington, DC 20001
ReFocus 2007 Reinsurance Industry Meeting, March 4-7, 2007, Hyatt Lake, Las Vegas, Nevada, USA

The Society of Actuaries, through the Reinsurance Section Council, is developing a new reinsurance industry meeting in conjunction with the ACLI. “ReFocus 2007” has the theme, Challenges: Global And Local, and is targeted at senior reinsurance professionals. The event is scheduled for March 4-7, 2007 at Hyatt Lake, Las Vegas, Nevada.

This meeting will be different from a traditional Society of Actuaries meeting. The conference will bring together senior executives from multiple disciplines to share and discuss international reinsurance issues.

The seminar will encompass a broad array of speakers and topics for actuaries and non-actuaries, including underwriters, CEOs, CFOs, lawyers, accountants, auditors and regulators, rating agencies, banks, and vendors in the industry.

The following outlines the sessions currently being planned:

1. Senior level presentations by CEOs from Life Insurance and Life Reinsurance companies
2. Impact of Global Standards development on reinsurance
3. Convergence of Reinsurance and Capital markets
4. Impact of Regulatory Environment changes on reinsurance
5. Global Demographics
6. Life, Health and Annuity Products and Reinsurance
7. Risk Transfer and Financial Reinsurance
8. Life and Health Underwriting challenges in a global underwriting environment
9. Data Standards and Reinsurance
10. Corporate Structure and Third Party Reinsurance – a tax perspective
11. Principles Based Reserving – Impact on Life writers and reinsurers
12. Long Term Care Market & Reinsurance
13. Interest Sensitive Products & Reinsurance
14. Risks of Reinsurance – a legal / treaty perspective
15. Risk Mitigation vs. Concentration of Risk
16. Accident & Health Reinsurance
17. Dispute Resolution & Reinsurance
18. Impact of consolidation in the Reinsurance marketplace
20. Impact on the insurance / reinsurance industry of potential collapse of public support systems (speaker: ACLI President Frank Keating)
21. Reinsurance Arbitration
22. Advances in Underwriting Technology

Planning continues for the inaugural reinsurance seminar titled “REFOCUS”. The seminar will deal with U.S. and global life and health insurance and reinsurance topics of strategic
importance. Numerous presentations will address HEALTH insurance and reinsurance market issues, such as the following:

Breakout Session 1 – Global Demographics and its Impact on Product Placement. The panel will discuss the profile of the various world markets (i.e. who buys what?) and the efforts under way to aid direct writers and reinsurers in their pricing and product development efforts.

Breakout Session 7 – The Reinsurer Role in Long Term Care (“LTC”). Insurer and reinsurer goals and strategies are at a pivotal stage in the LTC industry. This session will address: The LTC direct & reinsurance market and reinsurer capacity, appetite, and offerings.

Breakout Session 10 – U.S. Medical Market Update. This comprehensive session will cover regulatory/governmental issues, marketplace trends (both direct and reinsurance), benefits, consumerism, predictive modeling, mergers & acquisitions, risk-based capital, provider issues, medical cost trends, financing and delivery of health care.

Breakout Session 12 – Life and Health Underwriting & Claims Adjudication in a Global Environment. Possessing local knowledge can make all the difference, adding a new dimension of complexity to the underwriting due diligence and claims adjudication processes for international business. During this session the audience will participate in a hypothetical case study exposing many of the critical issues that arise in the international life and health arena.

Breakout Session 13 – LTD Market – The Market Today: Is It Disabled or Recovering? Attendees will learn about current trends and issues in both the LTD direct and reinsurance marketplace, including benefit features and experience thereon, disability and termination rates, claims management practices and programs.

General Session - The impact of emerging medical advancements on the future of life, health and annuity insurance/reinsurance industry. This session will review the potential impact on morbidity/mortality of emerging medical advancements on the development, design and profitability of numerous insurance/reinsurance products, as well as insight into how pandemics, changing life styles and a global economy will change the way the industry does business.

This event will also provide ample opportunity to network with your industry peers at receptions and also a fundraising opportunity for the Actuarial Foundation.

The Reinsurance Section Council is looking for volunteers to assist with further development of programs and recruiting of speakers. We are also looking for speakers interested in presenting any of the topics. The sessions are still tentative and subject to refinements by the speakers being recruited.

To volunteer, please contact Mark Troutman or Craig Baldwin at the following address and mark your calendars!
Mark Troutman, President
Summit Reinsurance Services, Inc.
1502 Magnavox Way, Suite 120
Fort Wayne, IN 46804
PH: 260-469-3010
FX: 260-469-3014
Email: Mtroutman@Summit-Re.com

Craig Baldwin, Vice President
Transamerica Reinsurance
401 North Tryon Street, Suite 700
Charlotte, NC 28202
PH: 704-344-2818
FX: 704-344-2998
Email: Craig.Baldwin@transamerica.com

The symposium is targeted for senior personnel at both ceding companies and reinsurers with various functional roles (claims, underwriting, legal, actuarial, executive). For additional details, visit the conference website at www.refocusconference.com.”

2007 Annual Research Meeting, June 3-5, 2007, at Orlando, Florida, USA

This is the Premier Forum for Health Services Research, and a Showcase for Your Research.

Agenda

Registration

Don't miss this opportunity to present your work to more than 2,000 health services researchers, providers, and key health care decision makers.

Interest Group

Meetings

Hotel and Travel

Submit your abstract or panel proposal by January 9 to be considered for presentation at the AcademyHealth 2007 Annual Research Meeting (ARM), June 3-5 in Orlando.

Advertise

Become a Sponsor

Exhibits

Presentation of cutting-edge health services research is the cornerstone of the ARM, offering opportunities for researchers to share important findings with policymakers and providers who can put the research into action! The 2007 ARM features 21 themes. Details on the specific theme topics and instructions for submitting an abstract can be found in the Call for Abstracts Brochure.

Submit your abstract by January 9, 2007.

South East Asia Health Insurance Conference, July 30 – August 3, 2007, Singapore

THEME: The Role of Health Insurance in Health Care Provision in Asia

STRUCTURE: The main conference will be held over 2-3 days from 1st to 3rd August 2007. A two day technical seminar (30th, 31st July 2007) will precede the main Conference. The technical seminar will be provided by Howard Bolnick FSA. The conference language will be English.

CONFERENCE TOPICS:

• Health Care Costs and Trends with a focus on South East Asian Economies.
• Health Insurance in South East Asia.
• Actuarial Control of Health Insurance
  o Pricing
  o Reserving
  o Underwriting
• Models Used for Health Care Provision and Funding
• Role of Other Health Insurance Covers (Critical Illness, Long Term Care, Disability Insurance)

SPEAKERS: As a Key Note speaker we are looking to have a prominent Singaporean involved in Health Insurance or Health Care Provision. In addition we are looking to attract a range of local, regional and international speakers from the following backgrounds:
  • Insurance Professionals and Practitioners
  • Actuaries
  • Government Agencies and Regulators
  • Health Providers
  • Academics

ATTENDEES: The Technical Seminar is aimed at insurance practitioners, actuaries and others interested in health insurance.

The Conference is aimed at Insurance Executives, Professionals, Providers, Regulators, Actuaries and others who have a Professional interest in Health Insurance. We are hoping to have between 200 and 300 attendees from the Region.

CONTACT DETAILS: If you are interested in speaking please respond with a brief synopsis of your paper and personal details to either:
  • Frank McInerney of Gen Re Singapore at fmciner@genre.com
    ph:+65 6436 7713
  • Walter deOude of Watson Wyatt Singapore at walter.de.oude@watsonwyatt.com ph:
    +65 6880 5679

DATES:
  • Please respond with synopsis and personal details by 1 December 2006.
  • Please provide draft paper by 1 April 2007.

ORGANISER: The conference is organized by the Singapore Actuarial Society with the support of the International Actuarial Association.
Books, reviews, articles and reports

By IAAHS members and from IAAHS activities

Actuarial Study 2000
By: Pierre Chidiac

The purpose of this project was to conduct actuarial assessments of various benefits packages to assist the Ministry Of public Health (MOH) to set out the basis of discussions in an attempt to reach a consensus among all concerned parties prior to embarking on any reform project. The study financed by the World Bank for the purpose of pricing for The Ministry of Health in Lebanon different set of healthcare benefits to be provided to a given segment of the population or to the population at large.

Health System Model – a Vision Synthesis
By: Pierre Chidiac

Presentation on Meta Health System was delivered on May 5th, 2006. Earlier, as a speaker in a Pan Arab Social Insurance seminar, I introduced my vision on a Meta Health Model

From other sources

AktuarMed Underwriting 2004
Contributed by Ulrich Stellman: “I believe this paper make sense to be published in the Online journal. I hope will be also presented in Cape Town in more detail”.

Computerized underwriting represents a revolutionary improvement over conventional underwriting methods. With AktuarMed® and its complex database, however, this is taken one step further. AktuarMed® is a unique underwriting system designed for the field of health insurance. AktuarMed®’s basic philosophy is founded on claims-adjusted risk assessments. The risk loadings which are assigned by AktuarMed® are suitable for the purpose of largely offsetting the additional benefits which are anticipated as a consequence of previous illnesses. This enables a health insurer using AktuarMed® to perform calculations on a cost covering and profit oriented basis. This applies to both new applications and product changes.
**Evaluating the Results of Care Management Interventions: Comparative Analysis of Different Outcomes Measures Claims**

*Society of Actuaries, Health Section, Research*

*By: Robert Bachler, Henry Dove, Ian Duncan, Iver Juster and Rebecca Owen*

Actuaries and those responsible for the financial management of health plans are often asked to advise health plan managements on the financial and related issues concerning interventions:

1. Was there any effect from the intervention, and can it be quantified?
2. Should the health plan perform more or less of the specific intervention, or perhaps change the intervention target?
3. Are there other potential interventions that may have greater value that the health plan should consider applying?

How should the actuary go about answering these questions? This study sponsored by the Society of Actuaries Health Section and the Committee on Knowledge Extension Research looks at some frequently used methodologies, defines them and evaluates their application, based on data available to the authors. The result of the research is a series of papers, with each paper building on the ideas presented earlier in the series. Thus, papers should be read in sequential order.

**PAPERS**

- **Paper 1: Programs and Interventions**
- **Paper 2: Actuarial Issues in Care Management Evaluations**
- **Paper 3: Selective Literature Review of Care Management Interventions**
- **Paper 4: Understanding the Economics of Disease Management Programs**
- **Paper 5: Evaluating Disease Management Savings Outcomes**
- **Paper 6: An Actuarial Method for Evaluating Disease Management Outcomes**
- **Paper 7: A Comparative Analysis of Chronic and Non-Chronic Insured Commercial Member Cost Trend**
- **Paper 8: Testing Actuarial Methods For Evaluating Disease Management Savings Outcomes**

Members of the Project Oversight Group included: Bryan Miller, Chair; John Cookson; Stacey Lampkin; Marjorie Rosenberg; John Stark.

If you have any questions or comments on this research, please contact Ronora Stryker, SOA Research Actuary, at rstryker@soa.org.

**Pandemics: Groupe Consultatif - European Commission request for assistance on pandemics**

The following relates to a May-December 2006 project, which is described below. You may wish, however, to review the enclosed related presentation, or contact the links below for more information on this project.
The European Commission is seeking advice on demographic and mortality statistics used in projections of pandemics (in preparation for the likely arrival of avian influenza) in Europe. The Commission already have some (health) scenarios, based on work and statistics from epidemiologists. However they also are keen to study scenarios for insurance, and evaluate the impact on mortality, morbidity and economy. It is proposed to set up a small working group of experts in this field, and the purpose of this e-mail is to invite volunteers with relevant expertise to join this group for the period December 2005 - May 2006. Associations are asked to bring this request to the attention of their members, and volunteers should contact Henk van Broekhoven (Henk.van.Broekhoven@ing.com) by the end of November.

Henk has held a preliminary meeting with the relevant Commission staff and has identified the following areas where they would welcome the Groupe's assistance:

- **Life insurance** - to find out: changes in the mortality of those insured (e.g. a rough assessment used by some insurance companies now: doubled mortality for one year; others emphasise multiplied mortality on young people (age 20-29)); change in the mortality of the whole population (normally population mortality risks higher than that of the insured population)
- **Health insurance** - to find out: changes in the morbidity of those covered by private insurances; changes in the morbidity of the whole population (very significant expenses and very significant difference in risk)
- **Economic consequences** - to assess: increased risk and financial instability and its consequences; changes in work interruption rates leading to significant financial losses; depending on compensation schemes - expenses relating to compensation of occurred losses in animals slaughtered etc.; increased compensations for regulatory losses
- **Animal insurance** - to find out: changes in animal epidemics' probabilities ("animal mortality and morbidity" and economic loss) for all livestock, and for livestock insured; increased need for solution for farmers' losses

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**Private Health Insurance in OECD Countries: The Benefits and Costs for Individuals and Health Systems**

By: Francesca Colombo and Nicole Tapay, published by the OECD

Contributed by Ulrich Stellman: “I believe this paper make sense to be published in the Online journal”.

different national contexts and draws conclusions about its strengths and weaknesses. Private health insurance presents both opportunities and risks for the attainment of health system performance goals. For example, in countries where PHI plays a prominent role, it can be credited with having injected resources into health systems, added to consumer choice, and helped make the systems more responsive. However, it has also given rise to considerable equity challenges in many cases and has added to health care expenditure (total, and in some cases, public) in most of those same countries.


**South African Medical Schemes’ Anti-Fraud Survey**

This is the first KPMG Medical Schemes’ Anti-Fraud Survey. KPMG is proud to offer this survey as part of the service to its clients in their endeavours to reduce the costs and losses resulting from fraud.

Fraud is certainly not a new phenomenon. What is disturbing, however, is the increase in the occurrences of such crimes. The purpose of this survey is to assess the perceptions, as well as the impact of fraud on the Medical Scheme industry of South Africa and to identify trends in combating fraud. This survey is achieved through the co-operation of the Medical Scheme Administrators and the Board of Healthcare Funders. For further information, to access KPMG fraud surveys in other parts of the globe, or for advice on dealing with fraud issues, please do not hesitate to contact KPMG.

In July 2004, KPMG circulated an anti-fraud survey questionnaire to medical scheme administrators in South Africa. The survey was conducted on a confidential basis with the undertaking that no information would be released pertaining to any specific survey respondent.

For the purpose of this survey, “fraud” is defined as a deliberate deceit, planned and executed, with the intent to deprive another of property or rights.

Survey participants were asked questions relating to:
- Their opinion on the extent of fraud within the medical schemes sector
- Fraud experienced by their organizations
- Specific experiences of fraud
- Action taken on the detection of fraud
- Their organizations’ vulnerability to fraud
- Their opinion on information security within their organizations and the level of fraud prevention measures in place.

Responses were received from 10 administrators representing 2,294,914 principal members out of a total of 2,802,815 principal members, as published in the 2003-2004 annual report.
for the Council of Medical Schemes – approximately 82% representation. The ten administrators that responded were:

- Discovery Health
- HDS Medical trading as Multimed
- Medihelp (self-administered)
- Medscheme
- Metropolitan Health Group
- Naspers Medical Fund
- Old Mutual Healthcare (Pty) Ltd
- Sizwe Medical Services
- Spectramed
- Umed (self-administered)

The returns were completed by divisional directors, forensic managers, internal auditors and financial managers. The analysis of the survey responses has been based on the average number of principal members represented by each respondent.

The respondents represented medical schemes serving principal members from the following industry sectors:

- Manufacturing
- Mining and construction
- Finance and insurance
- Professional and service industries
- Government and parastatals
- General public

For the year under review, respondents collected contributions to the value of R36 billion and paid out claims to the value of R28 billion. The contributions collected by respondents represented 75% of the contributions collected by all medical aids during the year as reported in the Council for Medical Schemes’ annual report for 2003-2004. The average monthly contribution per principal member was R1,459.

Claims paid as a percentage of contributions averaged 82%, as opposed to the CMS report which indicated an average claims ratio of 71%.