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JUN 16 1955

TO: Deputy Director (Support)

SUBJECT: Reorganization of Insurance Element, Office of Personnel.

1. PROBLEM:

To identify the functions and activities inherent in the administration of the Agency insurance and casualty affairs programs and to determine the manpower requirements of such activities.

2. FACTS BEARING ON THE PROBLEM:

- a. The Agency insurance program was devised to provide adequate insurance coverage of all types to Agency personnel within the security of an internally administered plan, thus assuring protection to the organization and the individual employee.
- b. The insurance program administers coverage in the following plans:

<u>COVERAGE</u>	<u>Number of Policyholders</u>	<u>Dollar Value of Insurance in effect</u>
Life Insurance		
GENA (DOLIC)		
WAFPA		
*FEDLIA (Eisenhower Ins.)		
Health/Hospitalization		
GENA (Omaha)		
Group Hosp. Inc.		
**Income Replacement (Omaha)	20	N/A
**Sickness Diseases (Omaha)	100	N/A
**Air Flight (Omaha)	75/100	N/A

- * Beneficiary arrangements and claims processing only.
- ** These plans have had no promotional effort at this time.

- c. In addition to the administration of the insurance program, the related responsibility for processing claims of Agency personnel under the Agency Medical Program (P.I. 110 - Per. 5(a)(5)(C)), the Workmen's Compensation Act, and the Civil Service Retirement Act, is assigned to the insurance element. The discharge of this responsibility involves very complicated procedures to assure secure relations with claimants, relatives, next of kin, hospital and service facilities, and governmental, quasi-official and private organizations.

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- d. The Program has grown rapidly during recent months following the announcement to Agency personnel concerning the availability of coverage under the several plans. No organizational survey was made to determine in advance the type of structure, the staffing or procedures necessary to properly administer the details involved. The function was assigned to the former Employee Services Division, Office of Personnel. The staff was increased as additional coverages were announced. Procedures were developed as the need arose. The program has now reached a stage, based on the amount of insurance in force, where it must be recognized as a big time operation, and be organized, staffed and administered in proportion to its importance, both as to volume of business and the security factors concerned in dealing with policyholders, beneficiaries and underwriters.
- e. The administration of the Agency insurance and casualty affairs program has been examined in connection with a Management Staff survey of the Office of Personnel now in process. The recommendations contained herein are the result of this examination.

3. **DISCUSSION:**

- a. The administration of the Agency insurance program, par. 2b above, and the casualty affairs, par. 2c above, is not functionally related to the primary phases of the Office of Personnel mission. The organizational grouping of this program with any other activity of the Office, as in the former Employee Services Division (with insurance, counseling and miscellaneous employee services grouped in one division), is not likely to provide supervision qualified in this rather technical subject. The former Branch status also imposed unnecessary supervisory levels through which technical insurance and sensitive casualty matters were processed. The scope of coverage offered, the number of policyholders, the volume of dollar business, the sensitivity of the casualty affairs processing, and the overall security of the Agency and the employees, indicate the need for a small, but highly specialized, "division level" organization to properly manage this growing activity.
- b. The administration of the insurance and casualty affairs activities in CIA is unlike that to be found in the normal government agency. In most other agencies the employees are provided opportunity to enroll in some type of overt group life and/or health plan, with the agency performing the enrollment, the collection and remitting of premiums, and the processing of any claims. The plans are common knowledge to all, the employees are identified by true name and their employment by the agency is, or could be, publicly acknowledged. In this Agency the employee, his duty and location, and his association with the Agency must be kept from the actual underwriting organization. Further, even the Agency interest in the insurance field must be cut-out from the underwriter; claims must be processed in a manner that prohibits certain disclosures; the processing of claims under the so-called "Eisenhower" insurance (FERMA), the

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Workmen's Compensation Act, P.L. 110, par. 5(a)(5)(c) and the Civil Service Retirement Act must also be performed under rigid security limitations, particularly when there are serious injuries or fatalities concerned and relatives or survivors become involved in the settlements.

- c. The functions and activities necessary to the administration of these programs lend themselves to a division structure having three elements, an overall directive element and two branches - one responsible for the insurance program and one responsible for the processing of claims related to P.L. 110, par. 5(a)(5)(c), the Workmen's Compensation Act and the Civil Service Retirement Act.
- d. The activities of the clerical working force in the insurance office are subject to measurement and evaluation. The staff can be set accordingly. In the case of the element processing casualty affairs matters, the workloads are less subject to accurate evaluation. The claims vary widely in complexity and a staffing pattern can only be determined on the basis of past experience and administrative judgment. It may be expected that claims in this element will increase when overseas personnel are officially informed of their rights under P.L. 110, par. 5(a)(5)(c).
- e. The former Insurance Branch, Employee Services Division, was obviously under-staffed. The P/O authorized thirteen (13) positions. At the time of examination, the Branch was using seven (7) positions on loan from the Interim Assignment Pool and utilized the services of the Counseling Branch and others in the performance of the activities.
- f. The staff required to provide secure and adequate insurance coverage for Agency employees and process the claims of such employees for gratuities authorized by law is, in CIA, far larger than would be required to provide similar service in a normal governmental agency. However, the security precautions being taken seem to be justified in defending the Agency and its covert personnel and must be accepted as a necessary expense.

4. CONCLUSIONS:

- a. The administration of the Agency insurance program and the secure processing of employee claims for gratuities authorized by law have reached major proportions and will increase further. The volume, the sensitive procedures involved, and the security factors concerned, indicate the advisability of establishing a Division in the Office of Personnel to assume these responsibilities. The name Insurance and Casualty Division is recommended.
- b. The activities lend themselves to a two branch structure, namely: Insurance Branch and Casualty Affairs Branch.
- c. There should be functional statements clearly stating the responsibilities of the Division and of each Branch.

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- d. At a later date, when the new division is organized, its procedures should be examined, streamlined to fit present needs, and simplified where possible.
- e. A staff should be provided which will be adequate in numbers and qualifications to perform the tasks involved.
- f. The nature of this Agency multiplies the cost of operating this program as compared to similar operations in non-sensitive agencies and this fact must be accepted.
- g. The establishment of a division adequately staffed to perform the assigned functions will increase the cost of FY 1956 over that for FY 1955 by approximately \$34,000. However, the element should function on a current basis, without overtime and without the support formerly borrowed from other elements.

5. RECOMMENDATIONS:

It is recommended that:

- a. A division be established within the Office of Personnel, titled "Insurance and Casualty Division", with two branches - an Insurance Branch and a Casualty Affairs Branch - See Tab A.
- b. The functions prepared for the new division and its branches be approved - See Tab B.
- c. The T/O developed for the proposed division be approved - See Tab C.
(This T/O has been examined by the Position Evaluation Division and approved as to job titles and grades - it will represent an increase of approximately \$34,000 as compared to the FY 1955 operation of the former Insurance and Claims Branch.)
- d. The ceiling for the Office of Personnel be increased by 12 positions. This increase represents six new positions and six Interim Assignment Branch slots on permanent loan to the old Insurance Branch.

(NOTE: At present the overall Office of Personnel T/O and ceiling are the same and therefore any new positions added to this or any succeeding T/O submissions made during the present survey represent ceiling increases. There is a difference of only six ceiling slots as of 31 May between the on-board strength and the total ceiling for the Office of Personnel and this is not sufficient to allow the absorption of the increase proposed for this new division.)

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Chief, Management Staff

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SUBJECT: Reorganization of Insurance Element, Office of Personnel.

ATTACHMENTS:

- Tab A - Organization Chart
- Tab B - Functional Statements
- Tab C - Staffing Patterns

CONCURRENCE:

<u>15/</u>	17 JUN 1955
Director of Personnel	Date

ACTION BY APPROVING AUTHORITY:

APPROVED:

20 June 1955
15/
L.K. WHITE

Deputy Director (Support)

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