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Description of document: Central Intelligence Agency (CIA) Insurance Branch
History 1971-1973

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Release date: 09-May-2023

Posted date: 05-June-2023

Source of document: Mandatory Declassification Review Request
Information and Privacy Coordinator
Central Intelligence Agency
Washington, D.C. 20505

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Washington, D.C. 20505

9 May 2023

Reference: EOM-2022-00086

Dear Requester:

This letter is a final response to your 6 February 2022 Mandatory Declassification Review of CIA Support Services Histories request referenced above and submitted under Executive Order 13526 for:

Insurance Branch

We completed a thorough search for records responsive to your request and located the enclosed six documents. Two documents can be released in full, and four documents can be released in part with deletions made on the basis of Section 6.2(d) of the Order.

As the CIA Information and Privacy Coordinator, I am the CIA official responsible for this determination. You have the right to appeal this response to the Agency Release Panel, in my care, within 90 days from the date of this letter. Please explain the basis for your appeal. You may address appellate correspondence to:

Information and Privacy Coordinator
Central Intelligence Agency
Washington, DC 20505

If you have any questions regarding this response, you may seek assistance by calling this office at 703-613-1287.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony J. Capitos".

Anthony J. Capitos
Information and Privacy Coordinator

Enclosures

~~SECRET~~

27 March 1972

MEMORANDUM FOR: Mr. John J. Caldwell
OP Historical Officer

SUBJECT : Insurance Branch History

1. Attached are the original and one copy of the Insurance Branch History. Also attached are:

- a. CIA Historical Staff - Style Manual (Copy No. 232)
- b. CIA Historical Staff - Support Services: Chronology of Key Personnel through 1969 (Copy No. 55) and
- c. Volumes I and II of CIA Historical Staff Chronology 1946-65 (Copy No. 129)

2. All other copies of drafts of the Insurance Branch History have been destroyed and no copies retained in this Branch.

[Redacted Signature]

William O. Brunkhorst
Chief, Insurance Branch

6.2(d)

~~SECRET~~

GROUP 1
Excluded from automatic
downgrading and
declassification

UNCLASSIFIED

INTERNAL ONLY

CONFIDENTIAL

SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
Insurance Branch History

FROM: Chief, Review Staff
626 C of C

EXTENSION
3465

NO.
DATE
10 May 1973

TO: (Officer designation, room number, and building)

DATE
RECEIVED FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DD/Pers/SP
5 E 67 Hqs

08 AUG 1973 *B*

Ben,
Jody asked me to send this to you. Please return it to me as soon as it has served its purpose. *This is the only copy.*

3. *Mr. Caldwell*

6 AUG 1973



6.2(d)

John J. Caldwell
Chief, Review Staff

4. *626 C of C*

→ Re-file with the other historical packages, please. JJ

6.2(d)

SECRET

CONFIDENTIAL

INTERNAL ONLY

UNCLASSIFIED

Insurance Branch History

OP Historical Officer
626 C of C

3465

29 March 1972

Mr. Pfeiffer
SSHO
203 Key Bldg

Attached is the final typed copy
of the Insurance Branch history
for your files.

John J. Caldwell
OP Historical Officer

SECRET

8 March 1972

MEMORANDUM FOR : Mr. John J. Caldwell, Historical Officer,
Office of Personnel

FROM : Support Services Historical Officer (SSHO)

SUBJECT : Insurance Branch History

1. After reviewing the subject paper and noting a number of revisions, it appears that this paper is going to be too thin for publication in the Office of Personnel's historical series.

2. The paper should, however, be revised on the basis of the editions noted on the copy; the two appendixes listed in the contents should be completed; and a list of sources should be prepared. The paper should then be retyped and forwarded in one copy to this staff where it will become a part of the Historical Staff's documents file.

3. Incidentally, in retyping the report, the pages should be numbered.

4. After we get the revised version of the history, we will close book on this segment. If you have questions, please call me.

Jack B. Pfeiffer
Jack B. Pfeiffer

Distrib

O&I - Adse

1 - ChHS
1 - DChHS
1 - JBP
1 - Chrono

6.2(d)

Insurance Branch History

OP Historical Officer
626 C of C

3465

9 March 1972

Mr. Brunkhorst
406 Magazine

The attached Insurance Branch History is returned for revision and final typing in accordance with the transmittal memorandum from the Support Services Historical Officer.

Please return the original and one copy of the revised History to me. I will retain the copy in our OP Historical File and forward the original to Mr. Pfeiffer for retention in the Historical Staff Document File.

John J. Caldwell
OP Historical Officer

13 September 1971

MEMORANDUM FOR: Mr. William Brunkhorst
THROUGH : Chief, Benefits and Services Division
SUBJECT : Insurance Branch History

1. Enclosed herewith is the draft of the subject history with editorial comment and suggestions by the Support Services Historical Officer. A copy of his memorandum is also attached.

2. From Mr. Pfeiffer's comments this project seems to be approaching the stage when it could be approved by the Historical Staff for publication.

3. I agree with Mr. Pfeiffer that the paper can stand on its own and merit separate publication. Please rework the paper along the lines suggested by Mr. Pfeiffer and return it to him through me as soon as possible.

/s/ John J. Caldwell

John J. Caldwell
Historical Officer
Office of Personnel

Distribution:

Orig & 1 - Addressee
1 - C/BSD
2 - Review Staff

OP/RS/JJCaldwell:ck (13 September 1971)

History of the Insurance Branch

Chief, Review Staff
626 C of C

3465

3 March 1972

SSHO
203 Key Building

Attached is the redrafted
history of the Insurance Branch/OP
for your review.

John J. Caldwell
OP Historical Officer

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED	CONFIDENTIAL	<input checked="" type="checkbox"/> SECRET	
OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1	Mr. John J. Caldwell 626 COC Building	8 MAR 1972	
2			
3			
4			
5			
6			
	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE
Remarks:			
Attached is the redrafted history of the Insurance Branch incorporating suggestions made on the previous draft.			
HERE TO RETURN TO SENDER			
		ADDRESS AND PHONE NO.	DATE
		W. O. Brunkhorst, C/IB 406 MAG X3408	2 Mar 72
UNCLASSIFIED	CONFIDENTIAL	<input checked="" type="checkbox"/> SECRET	

6.2(d)

10 September 1971

MEMORANDUM FOR: Mr. John J. Caldwell, Historical Officer,
Office of Personnel

FROM : Support Services Historical Officer (SSHO)

SUBJECT : Insurance Branch History

1. I have reviewed the enclosed paper on the Insurance Branch, and as I indicated to you the other day, I think that this paper warrants revisions which will make it acceptable for separate publication.

2. In its present form, the paper is reasonably well written, but it has left dangling a number of questions which have been noted directly on the copy which I am returning. In addition to the queries on the MSS copy, there are several other items to be considered before the paper is resubmitted to this Staff:

a. The paper should be reorganized under a series of specific headings. I have attempted to insert a few such headings, but I am not particularly satisfied with any of them. Some rethinking on the basic outline and use of the outline as a basis for such headings would seem in order.

b. The story of the dispute between the Chairman of the insurance board and the Director of Personnel should be given in its entirety as one of the segments of the report; and the story should be made complete. The basic problem needs to be spelled out and the complete story told. Have the issues now been resolved?

c. Mr. Brunkhorst obviously had access to the records and documents of the branch, and the history should include specific source references for comments which are made in the text. The sources should be listed in the standard manner as an appendix to the history.

d. A chronology would also be in order so that the reader could easily make reference to dates when major programs or policies were introduced and/or terminated.

e. The text does offer some examples to illustrate points being made, but the examples are generally incomplete. Project AQUATONE (p. 13 ff) and mention of the payment of claims (p. 42) are cases where additional details are required.

f. I also wonder if there is anything to be said about the interest in, or impact of, various of the insurance programs on particular Directorates? Any significant differences among Directorates?

g. Nothing is said about the selection (election) of members of the board of directors. Does the fact that the turn-over among incumbents is slight have any significance? Explain.

h. The paper needs a new title. What about Development of CIA Insurance Programs, 19__ to 19__?

3. If there are any questions about the revision, please give me a call.

Jack B. Pfeiffer
Jack B. Pfeiffer

16 June 1971

MEMORANDUM FOR THE RECORD

SUBJECT: Insurance History Project

1. In the course of a discussion with the SSHO (Pfeiffer) this afternoon, he inquired as to what progress was being made on the Insurance history project. I agreed to check and give a push if necessary.

2. I telephoned Mr. Brunkhorst who expressed surprise, having felt that the paper revised to meet Mr. Pfeiffer's suggestions had gone forward. He checked and we later learned that this was not the case. He has talked with C/BSD who will arrange to send another copy.

6.2(d)

John J. Aldwell
Chief, Review Staff

6.2(d)

Insurance Branch History Project

**OP Historical Officer
626 Chamber of Commerce Bl.**

1 September 1971

**DD/Pers/P&C
626 Chamber of Comm.**

Jack:

**This is BSD's rewrite of
the History Project on the
Insurance Branch for your
review.**

**SSHO
Mr. Jack Pfeiffer
203 Key Bl.**

**It covers the history of
Agency insurance programs
in considerable detail.**

**Perhaps this covers too
limited an area to be of
general interest and should
be treated as a highlight
reference in the overall
project.**

What do you think?

John J. Caldwell

1 September

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Insurance Programs of the Government Employees Health Association, Inc.

1948 - 1970

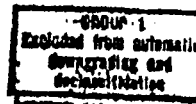
Support Services

Office of Personnel

William O. Brunkhorst

22 March 1972

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Contents

I. Insurance Programs - Pre CIA 1

II. Government Employees Health Association, Inc 3

 A - The Genesis of GEHA, Inc 4

 B - AQUATONE and the Question of Responsibility To-
 High-Risk Groups. 9

 C - A Dispute Over Corporate Control - The Board vs.
 The Agency. 12

 D - The Dispute Resolved - One Head Wears Two Hats. . 24

III. Progression of Insurance Programs. 25

Appendixes

A. Chronology of GEHA Officers and Directors. 43

B. Chronology of Insurance Plans. 49

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Foreword

This history traces the development of insurance programs provided for Agency employees from the late 1940's, when no formal program or insurance office existed, to 1970 and a multi-million-dollar insurance business conducted under the corporate name of Government Employees Health Association, manned by 36 staff employees.

A paper prepared by Mr. Charles W. Claxon when he was closely associated with the Agency's insurance activities was the source material for much of this history and was invaluable as a first-hand account of many of the events reported herein.

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~~SECRET~~INSURANCE PROGRAMS OF THE GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.I. Insurance Programs - Pre CIA

Before World War II US Government departments and agencies sponsored no life or health insurance programs. In isolated cases employee groups incorporated themselves under such names as "The X Benefits and Relief Association" and secured the advantage of group life insurance. During the 1930's Group Hospitalization, Inc. (GHI)--sponsored by Blue Cross-Blue Shield--and Group Health Association (GHA) were two organizations operating in the Washington area offering a type of "group" health insurance. The GHI group was in reality a mass of smaller groups, each with a collector, or collectors, of premium payments. A Government agency, a public utility, or a department store could have its "group." Management tolerated these arrangements for their inherent good and overlooked the sometimes full-time preoccupation of its employee who served as premium collector in return for which he or she received free insurance coverage. In May 1943 a war-born "War Agencies Employees Protective Association" (WAEPA) was founded, and civilian staff members of the Office of Strategic Services (OSS) were able to participate in the purchase of term life insurance. WAEPA participation by these

- 1 -

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employees was managed by Roby C. Read; employees were also able to participate in the local group health plans, but the extent of actual participation is not known.

When OSS was abolished and the Central Intelligence Group (CIG) was created, the members of CIG had available to them the WAEPA life insurance and the two health plans--GHI and GHA. Through employee collectors GHI received premium payments from CIG employees who were known as such. All claims were adjudicated in the Washington, D.C. office of GHI regardless of where the expenses were incurred. GHA, on the other hand, accepted individual membership from residents of the District of Columbia and surrounding areas. No association with an identified employee group, federal or private, was necessary. Individual subscribers paid their premiums directly to GHA. The GHA plan was more than a hospitalization plan; it had a regularly salaried staff of doctors and nurses whose services were available at several clinics located in the D.C. metropolitan area. The services were limited to persons in the D.C. area, and were unavailable to persons outside that area.

- 2 -

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~~SECRET~~II. Government Employees Health Association, Inc.

The change from CIG to CIA on 18 September 1947 caused no change in the existing insurance plans or procedures. After the security implications in GHI methods of operations were assessed, however, the Office of the Executive for Administration and Management issued a memorandum dated 22 April 1948 which stated that no new applications would be made to GHI and that a more secure means of providing health insurance for overseas personnel would be devised. The reasons were obvious; in a completely unclassified area GHI was accumulating not only the names of many CIA employees and their families but also their specific cities of assignment throughout the United States and the world and the physical and mental health problems they were experiencing.

In the winter and spring of 1947 - 48 Thomas Hester of the Office of Personnel was given the task of contacting insurance companies to determine if any of them would be willing to underwrite a plan of hospitalization for CIA employees without knowing their identities. Mutual of Omaha was the only company that would agree to meet with representatives of CIA to discuss the matter. The meeting was attended by the following:

C. W. Hepler, Mutual of Omaha
Joseph E. Jones, Mutual of Omaha
Sheffield Edwards, Office of Security
Joseph Kelley, Office of Security

- 3 -

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Joseph Kelley, Office of Security
William Kelley, Office of Personnel
Thomas Hester, Office of Personnel

At this meeting it was determined that Mutual of Omaha would underwrite the plan in accordance with CIA's request that no names of employees be submitted to Mutual and also with the Company's assurance that all records pertaining to premium payments and audit of insurance claims would be carried out under the jurisdiction and within the confines of CIA. In order to qualify for the type of insurance offered by Mutual of Omaha, an organization had to meet a requirement, established by the District of Columbia Insurance Commissioner, that 75 percent of the members had to be insured. To reveal a number representing 75 percent of the strength of an organization would be to reveal the total size of the organization. In order to conceal the true size of CIA and still comply with the requirement, the organization known as the Government Employees Health Association (GEHA) was born. Through this device the Agency could acquire the advantages of low-cost group health and life insurance plans without revealing Agency strength.

The Genesis of GEHA, Inc.

On 29 June 1948 GEHA was accepted as a corporation under the laws of the District of Columbia. The first meeting of subscribers to GEHA was held on 15 July 1948, and the following were elected as the first directors:

- 4 -

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Thomas F. Bland, Office of Finance (formerly Special
Funds Division)
Joseph B. Kelley, Office of General Counsel
Harry W. Little, Jr., FE (formerly FDZ)
Eleanor L. Vallieres, Map Branch of ORE
Robert S. Wattles, Office of Personnel

On 27 July 1948 the Directors met with the newly appointed officers of the Corporation, and GEHA began its operations. The first GEHA officers were as follows:

Robert S. Wattles, President, Office of Personnel
Thomas J. Hester, Vice President, Office of Personnel
Roby C. Read, Secretary & Treasurer, Office of Finance

The first plan of insurance offered by the Agency to its employees through the device of GEHA was the health plan previously mentioned, underwritten by the Mutual Benefit Health and Accident Association (MBHAA). Read, as Secretary-Treasurer of GEHA, had the responsibility for record maintenance, and he and Mrs. Jeanette Timmons of the Finance Division, Office of the Comptroller, collected premiums, paid claims, and took care of other related matters of GEHA. The plan became effective on 1 August 1948 with the understanding that 100 percent of the Association's members had subscribed. The fact that the first month's premiums showed 20 members of the Association was a real shock to MBHAA--their rates had been set on the basis of about 500 members. MBHAA carried out its part of the bargain, however, and by 31 December 1949 the Association had 614 "active members." Those employees carrying

- 5 -

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GHI or GHA health plans were permitted to continue with that coverage.

By 31 December 1950 the MBHAA plan was well established, and it was clear that the underwriter was making a good profit from the group, which had then increased to more than 700. Then followed the first exploration of health plans that another company might be willing to offer to GEHA. After talking with several companies the conclusion was reached that the MBHAA plan was the best obtainable under the circumstances, fortified as it was by increased benefits which MBHAA offered and which were accepted. In addition to the MBHAA plan, other Agency employees were continuing their health coverage under GHI, but the security problem still remained with GHI's method of operation. Part of the problem was solved temporarily by developing "Class A" and "Class B" accounts with GHI with GEHA acting as collecting agent. The Class A accounts covered those Agency employees who had no cover to maintain and who could submit their claims directly to GHI. Their names were furnished to GHI with the payment of premium. The Class B accounts covered those Agency employees who were covert or overseas and for whom the Insurance Branch of the Office of Personnel processed hospital and surgical claims. They were not identified to GHI. With this more secure arrangement several hundred persons having the MBHAA plan switched over to GHI. At the same time there

- 6 -

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was considerable debate on the feasibility and advisability of the Agency, through GEHA, embarking on a "self-insurance" plan--that is, cut out GHI and MBHAA and let employees pay a premium directly to GEHA and possibly incorporate a life insurance plan to cut out WAEPA.

In early 1954, when the Agency Career Service concept was being studied, John O'Gara of the DDP, Rudyerd Boulton of the Office of Personnel, Joseph R. Evans of the Office of Personnel, and John.S. Warner of the Office of General Counsel were appointed by the Career Service Board as an Insurance Task Force with Edward Kane of the Office of Security, Calvin Tenney of Staff C, and Howard Osborne of Plans/FI as Security Advisors to examine the following problem:

What employee and family indemnity and beneficial insurance coverage should the Agency arrange to have offered in order to remedy or alleviate any possible existing injustice, to alleviate personal and family concerns which dilute or distract from attention to mission, to demonstrate community of interest, and to promote the concept of career.

That Task Force and the Wyatt Company, actuaries and employee benefit consultants, produced a comprehensive report to the CIA Career Service Board, which approved the recommended courses of action on 30 June 1954. The action approved was two-fold:

(a) offer a new group term life insurance policy with a maximum of \$15,000 principal sum and a maximum \$15,000 for accidental death and dismemberment, and (b) offer a new com-

- 7--

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prehensive health insurance plan which had been developed by the Task Force and the Mutual Health Benefit and Accident Association.

The United Benefit Life Insurance Company (UBLIC) was selected as the underwriter for the term life policy, which became effective on 1 August 1954. Staff employees, staff agents, and detailed civilian and military personnel were invited to participate. The MBHAA plan of health insurance was greatly improved over the then-existing plan and was likewise offered on 1 August 1954. In announcing these plans the Agency Notice (20-660-19, 29 July 1954) observed:

b. It is the purpose of this Notice to describe the available life and health insurance plans to employees so that they will have adequate information on which to base their decisions concerning this important aspect of their welfare. In this connection, the Agency has developed these insurance programs in order to provide employees with better benefits and to avoid the following problems:

(1) Commercial insurance companies have become somewhat cautious about selling insurance to Agency employees because of the possibility of hazardous duty. As a result, some companies will insure Agency employees only for limited amounts and usually under conditions which preclude the payment of benefits as the result of hazards sometimes found in overseas areas.

(2) Because of security considerations, it is sometimes difficult to release sufficient information to insurance companies so that under their policies they can appropriately pay claims.

- 8 -

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The UBLIC Plan was well accepted, and the first year's experiences resulted in a refund of premium to GEHA of \$33,051.67. The disposition of this refund was one of the subjects of discussion at the Board of Directors meeting held on 31 May 1956 and evolved into a discussion of the much bigger question of GEHA's responsibility to groups of employees engaged in extremely hazardous duties. In contemplating whether to hold this refund as a contingency reserve or use it for the purchasing of increased benefits under the UBLIC plan, the Board Members asked John Bischoff, GEHA President, what mortality rate GEHA might expect in the coming year. Bischoff indicated that past experience had been favorable but this could be altered by the insuring within the last few months of personnel in hazardous positions--specifically those in Project AQUATONE.

AQUATONE and the Question of Responsibility Toward High Risk Groups

A few of the Board Members had some knowledge of AQUATONE, but none were aware of its personnel being insured under the UBLIC plan. The pilots for this project had been "appointed," with the prior approval of the Director of Central Intelligence, and this status entitled them to be covered under the Federal Employees Group Life Insurance Act of 1954 to the maximum of \$20,000. The general consensus of the Board was that although it was recognized by both themselves and the underwriter that

- 9 -

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the insuring of Agency employees involved a somewhat greater risk than insuring other employee groups, it was not contemplated by either GEHA or UBLIC that coverage would extend to special categories of high-risk employees such as those in AQUATONE. The Board feared adverse experience of such a proportion that premiums would have to be drastically increased at the expense of all employees insures, and even the ultimate possibility of the underwriter cancelling the Plan entirely. The Board's discussion of this subject culminated in the unanimous passage of the following motion, which was made by Board Member Dr. John R. Tietjen:

RESOLVED, That from the standpoint of GEHA policy, this Board of Directors moves that the Officers of GEHA not approve applications of personnel of any project, other than true Staff Employees, Staff Agents, and Contract Employee groups as approved by the Board for insurance of any kind which GEHA administers without reference to the Board.

RESOLVED FURTHER, That the Board is desirous of seeing handled through appropriate operational procedures, those policies already issued to personnel of the types described above.

RESOLVED FURTHER, That the President of GEHA is directed to notify the Deputy Director (Support) and the administrative officer of the project or projects concerned of this decision.

The Director of Personnel was furious. He later noted:

Either CIA has an insurance program for its employees or it has not. It has been assumed until very recently that GEHA covered the hazardous duty required of certain employees in the Agency. When Project AQUATONE was established the DCI and the planners of the

- 10 -

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Project certainly felt sure that GEHA was the medium for insuring employees enrolled in the Project.

The General Counsel had considerable to say, outlining in detail for the CIA Career Council the reasons why UBLIC should be used for this purpose; his Deputy had also been a member of the Career Service Insurance Task Force. The Career Council tried to arbitrate the dispute and concluded that all of the pilots should be given UBLIC coverage, but the Council left open the question of whether UBLIC or the Agency would pay in the event of casualties.

Subsequent special and regular meetings of the GEHA Board continued the discussion of how to treat the specific problem of life insurance for Project AQUATONE. Before the Board's resolution on the subject, 17 AQUATONE personnel had already been accepted for life insurance coverage under the UBLIC plan, and the project was asking for coverage for 11 more. The Board approved coverage of the remaining 11 members of the high-risk group but at the same time sent a paper under date of 21 June 1956 to the CIA Career Council urging it to recommend to the Director that the Agency pay the death claims from operational funds in those instances where the death was the result of operational activities required of the special group of AQUATONE personnel. On 1 July 1956 Vernon Turner, on behalf of the Agency, and John Bischoff, on behalf of GEHA,

- 11 -

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signed such an agreement. It provided for the establishing of a \$100,000 reserve by means of "specialty premiums" at the initial rate of \$1,000 per employee per year, for a \$15,000 policy, and paid by the Agency to GEHA. Rates for subsequent years were to be mutually negotiated. In the event that the project was terminated or the need for the reserve no longer existed, the unused portion of the reserve was to be refunded to the Agency by GEHA. The refund was accomplished almost eight years later when on 21 May 1964 GEHA issued its check in favor of the Agency for \$90,451.59. This figure represented the Agency's payment of \$107,500 in "specialty premiums" plus investment income on this money in the amount of \$12,951.59, less payment of two operationally related death claims that totalled \$30,000.

A Dispute Over Corporate Control - The Board vs. The Agency

A Board of Directors of GEHA continued through the years to meet the technical and legal requirements of the corporate entity. The previously mentioned Insurance Task Force was chaired by the Chairman of this GEHA Board, John O'Gara, a man of strong convictions. As Chief Management Officer of the Agency he brought to bear a wealth of experience and viewed his role as Chairman of the Board in such a way that it was later to cause some differences of opinion on the role of the Board in relation to the role of the Director of Personnel.

- 12 -

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The first official indication of this situation appeared in a conclusion of the Board adopted at a meeting on 21 February 1955:

5. In respect to the question considered by the Board as to the proper sphere of the Board's interest, conclusion was made as follows:

a. The Board is responsible for the Agency insurance program policy or policies. The Board is not concerned with any aspect of administration in respect to these policies in view of the fact that the Director of Personnel continues to assume these responsibilities.

The Board recognizes that the insurance program is basically a part of the general Agency personnel administration as such, and hence policy decisions made by the Board within the insurance program field must be compatible with overall Agency personnel policy. Advice in this connection would be secured from the Director of Personnel as needful, but a resolution of any difference of opinion must go to the DCI or his authorized representative.

The official statement of the Director of Personnel's authorities and responsibilities was substantially the same then at it is now:

Provide additional services of common concern, including insurance programs for Agency personnel.

The By-laws of the Association, following accepted format, provided that:

The Board of Directors shall establish policy and be responsible for the proper administration and management of the affairs of the Association; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or the operational and security requirements of the Central Intelligence Agency.

- 13 -

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(Article V, Section 7)

The minutes of a Board of Directors meeting held on 25 August 1955 contain the following item:

7. A general discussion ensued wherein the duties of the President of GEHA were stated and the structure of the Board of Directors was reviewed. At this point, Mr. O'Gara stated that, in his opinion, the Officers of the Association should be persons within the Office of Personnel and preferably within the Insurance and Casualty Division in order that those individuals who were officially responsible for the administration of the insurance programs within the Office of Personnel would also be given administrative responsibility by the Government Employees Health Association for carrying out the policies of the Association as determined by the Board of Directors. He also indicated that, in his opinion, the Board of Directors of the Association should be increased in number in order to permit greater representation from the various components of the Agency. There appeared to be general acceptance of Mr. O'Gara's feelings in this regard, however, no official action was taken by the Board of Directors in this connection.

This excerpt is included in this history to show the conscious effort being made at the time to accommodate to a situation where there had developed a divided responsibility for the insurance program of the Agency.

The Board continued to make policy decisions affecting the responsibilities of the Director of Personnel without consultation with him. Typical was the action of the Board on 20 November 1956, reported in the minutes as follows:

That it be the policy of this Board that the insurance program under GEHA be limited solely for the benefit of Staff Employees and Staff Agents of this Agency, Except under extraordinary circumstances which cases must receive specific Board Approval.

- 14 -

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That the Board advise the Contract Personnel Division not to write a mandatory insurance privilege into future contracts.

That the Board vote against this Emergency Travel Plan.

One "policy" decision led to another, and the Board, or a sub-committee of the Board, soon found itself engaging in day-to-day operations as evidenced by the minutes of the 18 December 1956 meeting:

5. On a motion made by Dr. Tietjen, the Board unanimously agreed to delegate its authority to approve or disapprove contract employee applications for insurance to the sub-committee which has been established to review these cases. However, in specific cases, it may refer cases back to the Board for final decision.

6. In connection with the applications of certain foreign nationals of FBID, Mr. Bannerman moved that the sub-committee review all cases of personnel to whom insurance has been issued who are not Staff Employees or Staff Agents and on whom the sub-committee has not specifically acted upon before, with a view to determining whether, within the policies of this Board, such persons are eligible for continued insurance; a report to this effect to be made to this Board.

The Board of Directors took it upon itself to dispose of other questions such as an employee with no dependents, except one son, who objected to paying the family rate for health insurance. The employee wrote to the Board--not to the Director of Personnel or his staff officer for insurance matters--and requested that he be permitted full coverage at twice the single rate. The Board seems to have been aided and abetted in its unilateral undertakings by the President of GEHA, which office was

- 15 -

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held then and is held now by a senior member of the Office of Personnel. For example, the President of GEHA, Bischoff, got the Board to "approve" his travel with the Vice-President, Joseph R. Evans, to Omaha to confer with the underwriter, and approval more properly the prerogative of the Director of Personnel. The President also seemed to seek Board direction for his responsibility, as a staff officer of the Director of Personnel, to provide insurance programs for Agency personnel.* When on 28 December 1956 a person representing himself as a "Staff Agent" but was actually a Contract Employee-- a Career Agent, to be precise--applied for the Association health plan he was enrolled by the Insurance Branch. When the President was informed of the case he wrote to the Board a memorandum dated 4 January 1957. The Board directed the rejection of the application and the return of the premium. Then a Board member recalled that Notice No. 20-660-19, dated 29 July 1954, was still in effect, and this Notice--Agency policy-- clearly stated that Contract Employees were eligible to subscribe. The Board promptly moved, seconded, and unanimously approved:

That the Chairman, in his capacity as Chief, Management

*This refers to several recorded Board discussions on the subject of health and life coverage for foreign national employees of the Foreign Broadcast Information Division.

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Staff, take the necessary steps to rescind Agency Notice 20-660-19.

The U-2 pilots of the AQUATONE project produced more than strategic intelligence on the Soviet Union. They were the unwitting cause of ruptures between men and offices which only time could heal. As an immediate after-effect of the harsh dispute, the Deputy Director for Support attempted to define the respective roles of the Chairman of the Board and the Director of Personnel. At its 12 February 1957 meeting the Board decided to invite the Director of Personnel to serve as a "consultant" to the Board, and there was some discussion of appointing the Director of Personnel as a Board member, later to be elected Chairman; but no other specific mention of this idea is made in the minutes. On 18 March 1957 the Deputy Director for Support addressed a memorandum jointly to the Chairman of the Board and the Director of Personnel:

1. This will confirm and make a matter of record the conversations which have taken place among Colonel White, Mr. Houston, Mr. O'Gara, and Mr. Stewart.
2. It has been agreed that:
 - a. GEHA will continue to function in accordance with the present Certificate of Incorporation and By-laws:
 - b. Amendments to these documents will be subject to review and approval by the Director of Personnel;
 - c. The Chairman of the GEHA Board will inform the Director of Personnel of all contemplated actions of the Board

- 17 -

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and the Association, will report actions taken, will be guided by the Director of Personnel in all matters affecting the interests of the Agency, and will represent Agency positions as set forth by the Director of Personnel at Board and Association meetings:

d. Should the Board Chairman and the Director of Personnel be unable to reconcile their positions with regard to any matter, appeal may be made to the undersigned by one or the other or both.

At a meeting on 26 March 1957 the Board had some reservations about the "agreement" and wanted some changes made. One member remarked:

I would like to see a recognition of the fact that we are also operating under the corporate laws of the District of Columbia and we cannot surrender certain responsibilities to the Director of Personnel as a corporate organization.

Withdrawing his 18 March 1957 memorandum, the Deputy Director for Support went along with a new statement dated 13 May 1957, which he again addressed jointly to the Chairman of the Board and the Director of Personnel:

1. The Government Employees Health Association is a corporation established under the laws of the District of Columbia for the purpose of providing to eligible employees of the Central Intelligence Agency insurance programs which will meet the Agency's requirements for coverage and security.
2. The Board of Directors of GEHA under the present Certificate of Incorporation "shall establish policy and be responsible for the proper administration and management of the affairs of the Association; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or the operational and security requirements

- 18 -

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of the Central Intelligence Agency." This provision affords the Board a dual responsibility. In fulfillment of this responsibility, the GEHA Board will ensure that all of the Association's policies and procedures are in the interest of the policyholders and are clearly consistent with Agency policy. To this end, the Board will look to the Director of Personnel for guidance as necessary on all matters of Association business which have policy implications for the Agency.

3. The Director of Personnel will through the Chairman keep the Board informed of Agency policy, programs or operations which have policy implications for the Association.

4. In order that the Director of Personnel may fulfill his functional responsibilities for the insurance programs for the Agency, the Board, through its Chairman and the Annual Association's Report, will keep the Director of Personnel informed of Association activities and requests for support.

5. No change will be made in the GEHA Certification of Incorporation or the By-laws without coordination with the Director of Personnel.

6. It is expected that in managing the Association, the Board will continue to study opportunities to extend GEHA insurance coverage. In addition, from time to time, the Director of Personnel may request the Board to make studies of other insurance programs for CIA employees.

The Deputy General Counsel was also concerned with the way things were going and commissioned a member of OGC to study the problem "with the objective of more precisely defining the substantive nature of GEHA and its function within and relation to the Central Intelligence Agency." A 14-page memorandum with 23 attachments dated 7 October 1957 resulted from a comprehensive study by H. Richard Chew. In commenting on the second DDS memorandum it was observed:

- 19 -

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The Board of Directors still can reject any application for membership and thus can control coverage. The Board does not acknowledge the Director of Personnel as the Agency's exponent of insurance policy. The Board does not use the Agency's legal staff in the conduct of its day-to-day corporate business, choosing rather to have a de facto house counsel. The Board views itself as the manager of a portion of Agency personnel policy, if not the formulator of it, and as such, issues instructions to Agency administrative officials. The Board has shown a tendency to think in competitive terms and otherwise manifest a commercial approach to the operations of GEHA.

Chew's memorandum explored many aspects of the U-2 pilot coverage under UBLIC and contains the following summation:

My observations of the beginnings and growth of GEHA leads me to conclude that it was spawned by the Agency and nurtured by it to provide employees with a service they could obtain elsewhere only with difficulty and to provide a benefit to help fill the space left when hazardous duty pay was rejected. GEHA is not a commercial venture; it is a service organization. Its function is not to "sell" insurance but rather to make it available to those who need it. Taken to the final simplification, the AQUATONE issue was the result of the Board's refusal to insure a group of employees who sorely needed insurance, a refusal grounded on a fear of increasing premiums of those persons already enjoying coverage. This is commercial reasoning. But as a service organization GEHA is to Agency employees much as a Government is to the citizenry; there will be some which are considered necessary but which do not directly benefit every person; nevertheless, the cost must be borne by the body politic. In short, it is just part of the deal that low-risk policyholders to a certain extent "carry" high-risk policyholders.

One of Chew's more important contributions was the discovery that GEHA was incorporated under a provision of D.C. law that did not authorize it to contract for life insurance coverage for its members. This defect was legally remedied on 16 September 1958

- 20 -

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with the D.C. Superintendent of Corporations. But the real dispute was not then brought up for a re-hearing--that of the role that the Board of GEHA should play in relation to the Agency's insurance needs and whether or not a sound decision had been made in the manner in which the U-2 pilots would be given insurance coverage under the UBLIC policy.

On 6 February 1958 Robert L. Bannerman was elected Chairman of the Board, a post he was to hold until 30 August 1963. Beginning with this 1958 meeting the Secretary of the Association again began attending meetings of the Board, a practice that had been discontinued by the Chairman beginning with the 12 March 1957 meeting. Having served throughout the period of dispute as a Director of GEHA, Bannerman was careful to see that the Director of Personnel was included in most discussions involving the Agency's insurance program. Under Bannerman's Chairmanship, however, the Board seemed to continue to impinge at times on the responsibilities of the Director of Personnel. For example--as reported in the minutes of a regular meeting of the Board on 25 February 1959--Bannerman decided to himself write Mutual of Omaha requesting a meeting with the Board to discuss a special health insurance contract for employees serving abroad. Again, as reported in the minutes of a Board meeting on 13 May 1959, it is recorded that "Finally the Board

- 21 -

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decided that Mr. Bischoff should visit the Home Office in Omaha, Nebraska, and obtain Mutual's proposed rates for the following two plans."

The Federal Employees Health Benefits Act of 1959, approved by the President on 28 September 1959, provided that the enrollment of employees and annuitants in health benefits plans and the withholding and payment of contributions would take effect on the first day of the first pay period beginning on or after 1 July 1960. This Act brought under official scrutiny the health benefits plans being offered to employees of the Federal Government. It authorized the Civil Service Commission to contract for or approve one service benefit plan, one indemnity benefit plan, comprehensive medical plans operating throughout the country--one of which was the Group Health Association, Inc. of the District of Columbia--and quite a few employee organization plans. GEHA qualified under the Act as an employee organization, and with its newly structured Association Benefit Plan, underwritten by Mutual of Omaha, it became a participant in the Federal Employees Health Benefits Program.

The GEHA Board participated actively in qualifying the Association Plan under the Act, and in a 14 October 1959 memorandum to the Board the Chairman stated:

- 22 -

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1. A meeting will be called shortly to discuss the Board's position concerning negotiations with the Civil Service Commission on the GEHA Program. There is attached an outline of factors to be considered in such negotiations. The position of the Board should be approved by the Agency.

2. The Board now has the opportunity of providing Agency employees with several plans for hospitalization and major medical coverage. The Board has discussed such plans in the past in considerable detail and each member should be conversant with the practical elements involved. The Board has discussed the interest of overseas employees in continuing their GEHA hospitalization and this factor will have a bearing on our proposed future plans. In this regard the Board members should consider that since the Government is now providing, through the new bill, opportunities to employees for extensive hospitalization and major medical coverage, the Government is not likely to extend the benefits it presently provides Federal employees under the overseas medical benefits program.

The Board had grown so accustomed to thinking of itself as having the primary responsibility for providing an insurance program for the Agency that it sometimes overlooked, consciously the fact that the Director of Personnel was the Agency officer charged officially with that task. As a further illustration, during the first 11 months of the first contract year for health insurance under the Federal Employees Health Benefits Act of 1959, Mutual of Omaha found that premiums were inadequate to cover expenses being incurred. The Civil Service Commission agreed that an increase in premium rates was necessary and warranted. But it was the Chairman of the GEHA Board who recommended DDCI ap-

- 23 -

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proval of the rate change, not the Director of Personnel. The Director of Personnel, the General Counsel, and the Deputy Director for Support concurred, but handling the matter in this fashion further emphasized the duality of responsibility

The Dispute Resolved - One Head Wears Two Hats

Eventually both parties realized that continuation of this conflict would lead to the defeat of the very purpose for which GEHA was created. The solution, though long in coming, was a simple one and involved no written agreements or proclamations. It was first implemented in August 1963 when Bannerman resigned as Chairman of the Board because of having been named Director of Security. Harry Little, the Deputy Director of Personnel, was elected as Bannerman's successor, both as Board Member and as Chairman. With the Office of Personnel now not only represented on the Board but having its Deputy Director as Board Chairman, the vying for responsibility and authority was eliminated. When Little was reassigned in October 1964, he resigned as Chairman of the GEHA Board. His successor as Deputy Director of Personnel, Robert Wattles, also succeeded him as Chairman of the Board, and the harmony of this new arrangement continued. Thereafter the GEHA Board has had an uninterrupted chain of Board Chairmen who have concurrently held the position of either Director or Deputy Director of Personnel.

- 24 -

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~~SECRET~~III. Progression of Insurance Programs

As previously stated, the Agency inherited from the OSS and the CIG two group health insurance plans, GHI and GHA, and one group life insurance plan, WAEPA. With the advent of GEHA, Inc., a new health insurance plan, MBHAA, was offered to Agency employees effective on 1 August 1948. By the end of 1952, approximately 1,500 Agency employees were enrolled in the GHI program, and the MBHAA had also grown to 1,500 participants even though GHI offered better coverage at less cost--for monthly premiums of \$1.30 for the employee only or \$3.00 for the family, GHI was providing full coverage of a semi-private room and hospital miscellaneous charges for 30 days, as opposed to the MBHAA plan's charge of \$1.60 and \$4.75 for \$6.00 per day room and board allowance for 31 days plus \$30.00 for hospital miscellaneous charges.

From a struggling but determined start the Agency's insurance program developed into a big business. Whereas the Confidential Funds Section of the Office of the Comptroller had carried the ball in the early years, "in addition to other duties," on 30 June 1953 responsibility for administration of the program was transferred to the Director of Personnel

- 25 -

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as a function of the newly designated Insurance and Claims Branch, with Joseph R. Evans named as its Chief.

Through the initiative and guidance of GEHA, by August 1954 the Agency's insurance program vastly improved. Two new plans, UBLIC Life Insurance and Air Flight Insurance, had been added to those previously mentioned. The MBHAA plan was also written and now provided substantially broadened benefits. Although the monthly premium was increased to \$2.70 for the single plan and \$7.98 for the family plan, the coverage was increased as follows:

<u>Prior Coverage</u>	<u>Increased Coverage</u>
\$6.00 per day room and board allowance for 31 days	\$13.50 per day room and board allowance for 90 days for state-side employees
	\$9.00 per day room and board allowance for 90 days for overseas employees
\$30.00 for hospital miscellaneous benefits	\$202.50 plus 75% of the covered hospital miscellaneous benefits up to \$5,000 for stateside employees.
	\$135.00 covered hospital miscellaneous benefits for overseas employees.

By January 1955 the ever-expanding Agency's insurance program, available through the legal entity of GEHA, consisted of:

UBLIC Life Insurance
 WAEPALife Insurance
 MBHAA Health Insurance
 GHI Health Insurance

- 26 -

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Air Flight Insurance
Specified Dread Diseases Insurance
Income Replacement Insurance

In addition to these plans, the passage of the Federal Employees Group Life Insurance Act (FEGLI) of 1954 made it possible for all Agency employees to purchase low-cost term life insurance in amounts equal to their salary.

In May 1956 the Insurance and Claims Branch was redesignated the Insurance Branch, with Leonard P. Payne as Chief and Mrs. Jeanette S. Timmons as Deputy Chief. By this time the volume of the Agency's insurance business had increased from \$6,107 in June 1951 to \$180,012 in total liability and net worth, necessitating the opening of a full-time cashier's office.

Also in May 1956 Group Hospitalization, Inc. once again became the subject for discussion. At that time some 3,400 Agency employees still carried GHI health insurance. This seemed to present security problems, and in the opinion of GEHA Board members and officers, the benefits being offered by GHI were inferior to those available under the Association plan (MBHAA). In June 1956 the security advisor to the GEHA Board reported that an investigation of GHI had revealed that an employee of GHI had been in contact with a representative of a foreign embassy in an apparent effort to sell a list of names of CIA employees who were holders of the Class A GHI health insurance.

- 27 -

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After an unsuccessful effort to have GHI agree to making all CIA employees Class B (covert), General Cabell, the Deputy Director of Central Intelligence, ordered that the GHI plan be discontinued; this action was effected on 31 December 1956. Conversions to the Association plan were made, without penalty to the employees.

Later on in 1956 another plan of insurance was added to those already available to Agency employees. This plan, called the "Travel-Matic," provided benefits of from \$25,000 to \$50,000 for accidental death occurring while in a passenger status on any common carrier.

The types of insurance coverage extended to Agency employees were again expanded in 1957. During that year the Insurance Branch offered another Flight Plan, which included coverage on military and government-owned passenger aircraft. Ten-Up Life and Ten-Up Health insurance plans were also put in effect for contract employees, who previously had been excluded from such coverage. In addition an Emergency Travel Plan was offered whereby an employee could insure against a major portion of the cost of transportation resulting from a return from overseas because of the death or critical illness of a relative.

The passage of the Federal Employees Health Benefit Act of 1959 was significant for a number of reasons. It directed

- 28 -

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the Civil Service Commission to contract for plans and exercise an overseeing roll to insure that participating plans provided benefits consistent with cost, it authorized government contribution toward partial payment of premium, and it offered a choice of plans, cover permitting. Processing of the initial applications under this program was a huge task that had to be completed in a short period of time. Members of the Insurance Branch responded with yeoman service and processed more than 14,000 forms. When the new enrollments were tallied, 12,342 employees enrolled in the Association Benefit Plan, 139 chose the Service Benefit Plan (Blue Cross-Blue Shield), 90 chose the Indemnity Benefit Plan (Aetna), 81 chose the Group Health Plan of D.C., and 315 employees elected not to enroll.

In 1961 and 1962 several actions were taken which substantially improved the insurance coverage offered to contract employees. First, a new health insurance plan, similar to that available to staff employees, was introduced to replace the previous Ten-Up contract health insurance. For the new plan the Agency paid part of the premium. Contract employees were later declared eligible for WAEPA life insurance, for the GEHA travel insurances, and for the Specified Disease insurance. In 1962 an improved Contract Life Insurance plan replaced the old

- 29 -

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Ten-Up Life plan that had been in effect since 1957. On 16 March 1962, by HN 20-33, the Agency announced this group term life insurance plan for "certain contract personnel."

The Agency determined that:

2. Eligibility

a. Contract employees and contract agents working on a full-time basis who have not reached their 60th birthday are eligible for this insurance. Participation is generally limited, however, to the following:

(1) Full-time contract employees who are U.S. citizens or resident aliens and whose employment relationship is comparable to that of appointed employees;

(2) Career agents who are U.S. citizens or resident aliens and whose operational relationship with the Agency as well as their cover and security will logically permit the application of the insurance.

The Agency delegated to the GEHA Board of Directors the authority to pass upon acceptance of agent personnel under this plan. The Notice also contained the following:

The agreement with the underwriter stipulates that the insured persons will be "standard risks" whose assigned duties are not significantly more hazardous than those of staff personnel. Questions as to eligibility in individual cases should be referred to the Insurance Branch.

At this time the Special Activities Staff, formerly Task Force W, entered into full-time contracts with a number of US citizens whose employment relationship was comparable to that of appointed

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employees. Between 40 and 50 such persons were employed as the crew of a vessel. A lesser number were placed under contract as instructors or case officers. Most, but not all, of these contract employees subscribed to the term life insurance plan. Because these employees were engaging in activities that could sometimes be hazardous, but no more hazardous to them than to the staff personnel with whom some worked side-by-side, the Chairman of the GEHA Board of Directors, Bannerman, addressed a memorandum to the Chief of TFW respecting their life insurance coverage. Quoting the "agreement with the underwriter"--which had to be oral for it was not part of the written contract--the Chief of TFW was requested to pay from project funds for any death that was attributable to the operations in which they were engaged. Fortunately no deaths occurred among this group. The ship's crew was later terminated, and the remainder of the contract employees in this activity were US based and continued to work, interchangeably with staff personnel, for the Special Activities Staff.

In late 1961 and early 1962 GEHA began insuring dependents of employees, first through WAEPA--on 21 October 1961--and then through UBLIC Life Insurance--on 1 February 1962. This coverage amounted to \$1,000 for each eligible dependent. In each case the cost to the employee for this coverage was \$.30

- 31 -

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per family, per month. GEHA provided half of the payment. Also in 1962 came a partial solution to a problem that had always been with the Insurance Branch -- individual identification cards for evidence of health insurance coverage. Since the beginning of the Federal Employees Health Benefits Program in July 1960, identification cards had been issued to overt Agency employees who were enrolled in the Association Benefit Plan. The card indicated that the bearer was insured by the Government Employees Health Association, that his plan was underwritten by Mutual of Omaha, and that it was a participant of the Federal employees program. It also listed a summary of the hospital benefits, a Post Office Box number, and a sterile telephone number where hospitals or doctors could further confirm insurance coverage. Although the Association Benefit Plan had never been known publicly to be exclusively an Agency plan of insurance, it was reasonable to believe that area hospitals assumed as much because of the large numbers of overt CIA employees using GEHA identification cards. Therefore any association of a covert employee with GEHA would mean a break in cover, and he was denied an identification card.

Lack of such identification often worked a financial hardship on employees, particularly when admittance to a hos-

- 32 -

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pital became necessary and a cash deposit was required in the absence of evidence of insurance coverage. In order to alleviate the problem another organization, known as Associated Government Employees (AGE) was created. AGE was backstopped with a bank account for writing benefit checks, a Post Office box for claims, a sterile telephone, and co-ordination with cleared personnel of the Joseph E. Jones Agency, Mutual of Omaha's agent for the Washington metropolitan area. T. W. Premo, The Jones Agency Claims Manager, made personal calls to each hospital in the metropolitan area explaining that AGE was a new group recently underwritten by Mutual. Identification cards were then issued to employees under official cover with the instructions that the AGE cards were not to be used outside a 30-mile radius of Washington. This was necessary because the Jones Agency was the only Mutual office aware of the AGE arrangement. Although AGE did not solve the entire problem of insurance identification cards, it did work well for a large group of employees who were previously denied this convenience.

Two new areas of insurance coverage were opened to Agency employees in 1963. These were the Parents Associated Medical Assurance Plan (PAMA), which gave employees an opportunity to buy group health insurance for their parents, and a Dental Insurance Plan, which was made available to Agency employees.

- 33 -

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and their immediate family members. The PAMA Plan was well received and reached an enrollment of more than 1,200 before being terminated by mutual agreement on 30 June 1966. Because Health Insurance for the Aged under Social Security--"Medicare"--became effective on the following day, there was no longer a need for the PAMA Plan. The Dental Insurance Plan (DENTA) was also well received by Agency employees, but it proved to be a financial failure for the underwriter. After one year's experience--from December 1963 to December 1964--the DENTA Plan had a loss of \$18,500. An open enrollments period was held in April and May 1965 in the hope that additional enrollments would help stabilize the plan. Contrary to expectation, claims experience became worse; and the underwriter, Mutual of Omaha, indicated its intention not to renew the contract when renewal was due on 2 December 1965. The company did, however, agree to the extending of coverage under the DENTA Plan until 1 January 1966. Final accounting of the entire experience of the Plan showed a net loss to Mutual of \$148,681.

Negotiations to improve the UBLIC Life Insurance Plan proved successful, and on 1 February 1964 the following changes were put into effect: (1) the maximum life insurance coverage available under UBLIC was increased from \$15,000 to \$30,000, (2) The premium rate was reduced to a straight 50¢ per month per \$1,000 insurance coverage, and (3) The \$1,000 life insurance coverage for

- 34 -

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each eligible dependent was provided at no extra premium charge to the insured employee. In conjunction with these changes, an open enrollment period was held from 1 February to 27 March 1964 during which an enrolled employee could double his coverage without a health statement. Employees recognized this as an excellent insurance buy, and response to the open enrollment period was heavy. More than 2,000 employees increased their coverage, and 1,181 new applications were received. Increased total coverage under the UBLIC Plan, however, required an increase in reserves. Consequently no distribution of UBLIC premium refund was made to employees in 1964 as it had been in previous years.

In 1965 another addition was made to the plans offered under GEHA. This was the 24-Hour Flight and Accident Plan (FAP), instituted because of the particular need for such coverage by Agency personnel in Santo Domingo and in Vietnam. The basic plan provided for 24-hour-a-day coverage ranging from \$25,000 to \$150,000. Enrollment in the basic portion of the plan made the employee eligible for Supplemental War Coverage also. This provided the employee with coverage of either \$25,000 or \$50,000 against loss resulting from war or act of war. The plan was put into effect on more or less a crash basis, and it eventually succeeded the Travel-matic Plan and the Flite Plan.

- 35 -

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By this time consideration had already been given to reimbursing the Agency for a part of the expense of operation of the Insurance Branch, and the salaries of two employees were being refunded from return of premiums on the UBLIC and DENTA Plans. In order to reimburse the Agency further the premiums for the Association Benefit Plan were increased by 1 percent for administrative expenses in November 1964, and from this source three additional salaries were reimbursed to the Agency in 1965. The administrative portion of the premium was increased to 2 percent on 1 January 1966, and by late 1967 the Insurance Branch was reimbursing the Agency for the salaries of 13 of its 36 employees.

In 1966 the problem of hospitalization identification cards was again dealt with, primarily because of the difficulties that were being experienced by wives who remained in the continental United States while their husbands were overseas. The problem also drew additional consideration because the AGE mechanism previously mentioned was of no use to employees outside of the metropolitan area of Washington. The result was a new cover organization, the National Advisory and Consulting Service (NACS). Ultimately, NACS became the "insurer" of personnel under non-official cover, and AGE was the means by which personnel under official cover could be

- 36 -

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issued identification cards--this time with no geographic restriction other than that they could not be used outside the United States. Although this proved most helpful to employees and their families, it has been a source of concern within the Insurance Branch. There has been evidence that employees and their dependents have not always been properly briefed on the use of these cards, and in some cases it has been difficult to prevent an association of the Agency with AGE and NACS.

Also in 1966 the UBLIC Life Insurance Plan was further improved. Effective on 1 June negotiations with the underwriter of the plan resulted in the adding of a terminal benefit to the plan. It specified that a retiring employee who had been UBLIC insured for ten consecutive years preceding his retirement could continue to retain up to \$5,000 of this coverage at a premium of 50¢ per thousand per month. When he became 60--or if already 60 at the time of retirement--coverage was premium free and was equal to one-sixth of the average amount of coverage he had in the ten-year period immediately preceding his retirement, not to exceed \$5,000. This coverage is further reduced to one-twelfth when he attains 70 and is free for the remainder of his life.

Since the beginning of the Federal Employees Health Benefits Program in July 1960, the Association Benefit Plan had

- 37 -

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always had two options of benefits--high option, which offered greater benefits, and low option for those desiring less coverage and lower premiums. Experience indicated that the vast majority of Agency employees preferred the high option of the plan. Most of those who were enrolled in the low option were usually overseas where they were also eligible for benefits under the overseas medical program of the Agency. Consequently the small number enrolled in the low option did not warrant the expenditure of time and administrative expense that were involved, and it was decided to drop the low option of the Association Benefit Plan. This action was taken on 1 January 1967.

The Civil Service Commission's 1967 change in regulations with respect to eligibility for enrollment of certain contract employees in the Federal Employees Health Benefits Program had a decided effect on the Contract Hospitalization Plan of insurance. In July 1967, when the Commission granted eligibility to certain contract employees who were previously excluded from the Health Benefits Program, approximately 1,100 contract employees were enrolled in the Agency-sponsored Contract Hospitalization Plan. As expected, a large majority of these contract employees changed to the Association Benefit Plan; their contracts were rewritten, and they thereby

- 38 -

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became eligible for the Federal Employees Health Benefits Program. As of 31 December 1970 the enrollment in the Contract Hospitalization Plan was 224.

On 1 January 1969 the Association Benefit Plan increased its benefits for hospital room and board expenses to full payment of charges for semi-private accommodation for the first 90 days of confinement. This was a departure from the previous practice of providing a "dollars-per-day" allowance for this expense. Previously the allowance had to be revised upward each year to meet the ever rising cost of hospital care. That approach to hospital expense coverage also necessitated annual revision and reissue of health insurance identification cards, which was no small task.

After discussions with representatives of the Central Cover Staff concerning the problems of continued use of the AGE and NACS hospitalization identification cards by retirees, it was mutually agreed that this should be permitted. It was further agreed that in advance of an individual's retirement the Insurance Branch would send a form memorandum, flagged "Retiree Request," to the Central Cover Staff requesting advice about what type of identification card should be given. The Central Cover Staff would then return a copy of this memorandum to the Insurance Branch with this information and signed by

- 39 -

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a Cover Staff representative. The procedure has worked satisfactorily, and many retirees now have the convenience of an identification card and still maintain their cover.

In 1970 an increase in coverage was granted employees and dependents participating in the UBLIC Plna. This was possible primarily because the policy year which ended on 31 July 1969 showed a marked improvement in claims experience and a resulting refund of premium totaling an impressive \$252,915. Having fully funded the reserve necessary for the retiree benefits of the UBLIC Plan, the GEHA Board decided to increase the coverage for UBLIC participants, with the added cost to be deducted from the annual refund of premium. With an effective date of 11 May 1970 employees were given a 20 percent increase in coverage, and their dependents coverage was also increased on a graduated scale, up to a maximum of \$3,000, according to the coverage held by the sponsoring employee.

During 1970 two additions were made to the growing list of backstopped hospitalization cards. One, labeled Combined Group Investments (CGI), was for a special group of retirees who, because of all previous cover, could not openly receive any benefits that would relate them to any prior government service. A departure was made from the usual procedure for setting up such cards; a checking account was established in

- 40 -

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a bank outside of the metropolitan area of Washington. The Cover Staff felt that this was essential. The other card, Consolidated Benefits Program (CBP), was for employees who were under non-official cover but who, according to the Cover Staff, could have the NACS card. Again, to avoid the government implications of a Washington address, this Plan was set up with a Virginia address and a checking account in a Virginia bank. This brings to six the number of "plans" which the Insurance Branch provides as an aid to cover. The following figures represent the number of benefit checks written under the Health Insurance Plan "identities" and indicate the extent to which the cover cards were being used:

	<u>GEHA</u>	<u>AGE</u>	<u>NACS</u>	<u>CEBA</u>
1 July 68 - 30 June 69	13,670	7,644	123	37
1 July 69 - 30 June 70	13,145	7,717	49	61

The history of the Insurance Branch can be told in numbers as well as words. It has evolved from the efforts of two part-time employees to its present strength of thirty-six full-time employees, with the Agency being fully reimbursed from GEHA funds for sixteen of these employees. It has five sterile telephone lines, six post office boxes, eleven different kinds of hospital identification cards, and seven checking accounts. Its functions have grown from acting as collection agent for

- 41 -

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external health insurance plans to the administration of three life insurance plans, two health insurance plans, three travel plans, a specified disease plan, an accidental death and dismemberment plan, and an income replacement plan. As of 31 December 1970, its life insurances and FAP coverages in force totaled more than \$248,000,000. Annual payments of health insurance benefits exceeded \$3,400,000. The number of active policies exceeded 23,000.

- 42 -

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OFFICERS AND DIRECTORS OF GEHA

<u>YEAR</u>	<u>OFFICERS</u>	<u>DIRECTORS</u>
1948	Robert Wattles, President	Thomas F. Bland
1949	Thomas J. Hester, Vice President	Harry Little
	Roby C. Read, Secretary-Treasurer	Robert Wattles
		Joseph B. Kelly
		Mrs. E. Vallierais
		(res. 4/19/49)
1950	Robert Wattles, President	Robert Wattles
	William H. Carpenter, Vice President	Harry Little
	Roby C. Read, Secretary-Treasurer	Joseph B. Kelly
		Roby C. Read
		John Tietjen
1951	Robert Wattles, President	Harry Little
	Henry C. Clinkscale, Vice President	Joseph B. Kelly
	Roby C. Read, Secretary-Treasurer	Roby C. Read
		Charles Francis
		John Tietjen
1952	Robert Wattles, President	Wilfred Peel
	Henry C. Clinkscale, Vice President	John O'Gara
	Roby C. Read, Secretary-Treasurer	George Meloon
		Edward Saunders
		John Tietjen
1953	Robert Wattles, President	John O'Gara, Chairman
	Joseph R. Evans, Vice President	Peel replaced by
6/4/53	Roby C. Read, Vice President	Kelly
	Roby C. Read, Secretary-Treasurer	George Meloon
6/4/53	Joseph R. Evans, Secretary-Treasurer	Edward Saunders
		John Tietjen
1954	Roby C. Read, President	John O'Gara, Chairman
	Joseph B. Kelly, Vice President	George Meloon
	Joseph R. Evans, Secretary-Treasurer	John Tietjen
		John F. Blake
		Donald V. Mulcahy
1955	Roby C. Read, President	John O'Gara, Chairman
8/25	John Bischoff, President	John Tietjen
	T. Mitchell Ford, Vice President	Donald V. Mulcahey

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OFFICERS AND DIRECTORS OF GEHA

<u>YEAR</u>	<u>OFFICERS</u>	<u>DIRECTORS</u>
1955	Charles Hulick, Vice President Leonard P. Payne, Vice President Joseph R. Evans, Secretary-Treasurer	Paul Loeb George Meloon res. 3/23 replaced by Robert Bannerman
	George L. Cary, Secretary Joseph R. Evans, Treasurer	
1956	John L. Bischoff, President Joseph R. Evans, Vice President George L. Cary, Secretary Leonard P. Payne, Treasurer	John O'Gara, Chairman Robert Bannerman Paul Loeb John Tietjen Charles V. Hulick Donald Mulcahy res. 8/23 replaced by John M. Clarke Joseph Laroque
1957	John L. Bischoff, President Joseph R. Evans, Vice President George L. Cary, Secretary Leonard P. Payne, Treasurer	John O'Gara, Chairman Glenn Fields John M. Clarke Joseph Laroque Joseph Becker Robert Bannerman John Tietjen Charles V. Hulick res. replaced by Daniel DeBardleben Paul Loeb replaced by Glenn Fields
1958	John L. Bischoff, President Joseph R. Evans, Vice President Leonard P. Payne, Secretary Leonard P. Payne, Treasurer	Robert Bannerman, Chairman Glenn Fields Daniel DeBardleben Harry W. Little, Jr. Joseph Becker John M. Clarke James L. Brammell John R. Tietjen Alan M. Warfield
1959	John L. Bischoff, President Joseph R. Evans, Vice President	Robert Bannerman, Chairman Glenn Fields

- 44 -

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OFFICERS AND DIRECTORS OF GEHA

<u>YEAR</u>	<u>OFFICERS</u>	<u>DIRECTORS</u>
1959	Leonard P. Payne, Secretary Leonard P. Payne, Treasurer	Harry Little Edward W. Allen James Brammell John Clarke John R. Tietjen Vernon R. Turner
1960	John L. Bischoff, President Joseph R. Evans, Vice President Leonard P. Payne, Secretary Leonard P. Payne, Treasurer	Robert Bannerman, Chairman Glenn Fields Michael Mitchell Edward Allen John Clarke James Brammell John Tietjen Vernon Turner Harry Little res. 10/5 replaced by Glen Moorhouse
1961	John L. Bischoff, President res. 9/5 replaced by Herman F. Heggen Leonard P. Payne, Vice President 9/5 Leonard P. Payne, Vice President Secretary Jeanette S. Timmons, Secretary Treasurer 9/5 Jeanette S. Timmons, Treasurer	Robert Bannerman, Chairman Glenn Fields Michael Mitchell Glen Moorhouse Edward Allen Philip Bower James Brammell Vernon Turner John Tietjen res. 8/21 replaced by Dr. Daniel
1962	Herman F. Heggen, President Leonard P. Payne, Vice President Leonard P. Payne, Secretary Jeanette S. Timmons, Treasurer	Robert Bannerman, Chairman Glenn Fields Michael Mitchell Glen Moorhouse Edward Allen Philip Bower John J. Bagnall Daniel Gerard Vernon Turner
1963	Heggen died 4/26 replaced by C. W. Claxon res. 9/27 replaced	Robert Bannerman, Chairman res. 8/30 replaced by

- 45 -

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OFFICERS AND DIRECTORS OF GEHA

YEAROFFICERSDIRECTORS

1963

by Ben DeFelice as President
 Leonard P. Payne, Vice President
 Leonard P. Payne, Secretary
 Jeanette S. Timmons, Treasurer

Harry W. Little
 Robert Gaynor
 Michael Mitchell
 Edward Allen
 John J. Bagnall
 Vernon Turner
 J. Roy Richardson
 John Clarke
 John Rushworth res. 10/16
 replaced by Joseph Becker

1964

Ben DeFelice, President
 Leonard P. Payne, Vice President
 Leonard P. Payne, Secretary
 Jeanette S. Timmons, Treasurer

Harry W. Little, Chairman
 res. 10/64 replaced by
 Robert Wattles
 Robert Gaynor
 Michael Mitchell
 Vernon Turner
 John Clarke
 Edward Allen
 John J. Bagnall
 Joseph Becker
 Carl W. Nelson

1965

Ben DeFelice, President
 Leonard P. Payne, Vice President
 Leonard P. Payne, Secretary
 Jeanette S. Timmons, Treasurer

Robert Wattles, Chairman
 Edward Allen
 John J. Bagnall
 Carl W. Nelson
 Edward Kane
 Harry Little
 John Clarke
 Joseph Becker

1966

Ben DeFelice, President
 Leonard P. Payne, Vice President
 Leonard P. Payne, Secretary
 Jeanette S. Timmons, Treasurer

Robert Wattles, Chairman
 Harry Little
 Michael Mitchell
 Edward Allen
 John J. Bagnall
 Edward Kane
 Carl W. Nelson
 John Clarke
 Joseph Becker res. 6/66

- 46 -

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OFFICERS AND DIRECTORS OF GEHA

<u>YEAR</u>	<u>OFFICERS</u>	<u>DIRECTORS</u>
1966		replaced by Dr. Stephen L. Aldrich
1967	Ben DeFelice, President Leonard P. Payne, Vice President Leonard P. Payne, Secretary (until 5 October) William O. Brunkhorst, Secretary (effective 6 October) Jeanette S. Timmons, Treasurer	Robert Wattles, Chairman Harry Little Michael Mitchell Edward Allen John J. Bagnall Edward Kane John Clarke Stephen Aldrich W. D. Climenson
1968	Ben DeFelice, President Leonard P. Payne, Vice President (until 21 November) R. L. Austin (Effective 22 November) W. O. Brunkhorst, Secretary Jeanette S. Timmons, Treasurer (until 21 November) Leonard P. Payne, Treasurer (Effective 22 November)	Robert Wattles, Chairman Harry Little Michael Mitchell Edward Allen John J. Bagnall Stephen Aldrich W. D. Climenson John Clarke Edward Kane res. 8/21 replaced by Lawrence M. Harper
1969	Ben DeFelice, President R. L. Austin, Vice President William O. Brunkhorst, Secretary Leonard P. Payne, Treasurer	Robert Wattles, Chairman Harry Little Michael Mitchell Edward Allen John J. Bagnall Lawrence M. Harper Stephen Aldrich W. D. Climenson John Clarke
1970	Ben DeFelice, President R. L. Austin, Vice President William O. Brunkhorst, Secretary Leonard P. Payne, Treasurer	Robert Wattles, Chairman Harry Little Edward Allen John J. Bagnall Lawrence M. Harper Stephen Aldrich

- 47 -

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OFFICERS AND DIRECTORS OF GEHA

YEAR

OFFICERS

DIRECTORS

1971

Ben DeFelice, President
R. L. Austin, Vice President
William O. Brunkhorst, Secretary
Leonard P. Payne, Treasurer

W. D. Climenson
John Clarke
Robert Gaynor

Robert Wattles, Chairman
res. 2/71 replaced by
Harry Fisher
Harry Little
Edward Allen
John J. Bagnall
Lawrence Harper
John Clarke
Robert S. Wheeler
F. W. Janney

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CHRONOLOGY OF CIA INSURANCE PROGRAMS

PRE CIG/CIA - WAEPA Life Insurance and GHI and GHA Health Insurance Plans available

24 June 1948 - Government Employees Health Association, Inc. is formed.

August 1948 - GEHA offers its own health insurance underwritten by Mutual Benefit Health and Accident Association

March 1954 - Air Flight Insurance added

May 1954 - WAEPA adds extended coverage benefit for retirees

August 1954 - UBLIC Life Insurance Plan added

August 1954 - MBHAA increases benefits

August 1954 - Federal Employees Group Life Insurance Program is implemented

November 1954 - Specified Dread Diseases Insurance added

January 1955 - Income Replacement Insurance added

July 1955 - Air Flight Plan rewritten to include MATS.

May 1956 - "Travel-matic" plan added

December 1956 - GHI discontinued

December 1956 - Specified Dread Diseases Insurance increases coverage

March 1957 - Emergency Travel Plan added

April 1957 - Ten-Up Life Insurance Plan added

April 1957 - Ten-Up Health Insurance Plan added

May 1957 - Flite Plan added

February 1960 - Military Air Flight Insurance added

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- July 1960 - Federal Employees Health Benefits Program implemented by U.S. Civil Service Commission. GEHA sponsored Association Benefit Plan participates. Blue Cross, Aetna, and other plans made available to overt employees through this Program.
- August 1960 - Contract Health Plan added
- March 1961 - Ten-Up Health Insurance cancelled
- October 1961 - WAEPA adds dependent coverage
- February 1962 - UBLIC reduces premiums and adds dependent coverage
- May 1962 - Contract Life Insurance added
- November 1962 - Ten-Up Life Insurance cancelled
- June 1963 - PAMA health insurance added for parents of employees.
- December 1963 - Dental Insurance Plan added
- December 1963 - WAEPA adds supplemental coverage
- February 1964 - UBLIC reduces premiums and adds free dependent coverage
- May 1965 - FAP replaces "Travel-matic" and Flite Plan insurances
- January 1966 - Dental Insurance Plan cancelled
- June 1966 - PAMA cancelled
- July 1966 - UBLIC adds retiree benefits
- August 1966 - WAEPA increases dependent coverage
- January 1967 - Association Benefit Plan drops low option coverage
- February 1968 - Emergency Travel Plan cancelled
- January 1969 - WAEPA increases supplemental benefits
- May 1970 - UBLIC increases coverage by 20% without increase in premium.

- 50 -

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March 1971 - UBLIC increases retiree benefits and drops
waiver of premium

May 1971 - WAEPA increases dependent coverage

- 51 -

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