

**NATIONAL ASSOCIATION OF HEALTH UNDERWRITERS
POLICY & PROCEDURES**

POLICY TITLE:	Conflict of Interest
CLASSIFICATION:	Executive
POLICY NUMBER:	96-01-EX
DEPARTMENT COORDINATOR:	Chief Executive Officer/Executive Vice President
DATE SUBMITTED:	August 1995
MOTION:	Mel Schlesinger
SECONDED:	Russ Childers
DATE APPROVED:	January 30, 1996
AMENDED:	January 23, 2017, February 3, 2008
APPROVED BY:	Board of Trustees
SUNSET DATE:	2020

PURPOSE: To maintain the highest ethical standards between NAHU and both present and past leaders and employees.

POLICY: In accordance with this P&P and good governance practices, it shall be the policy and practice of NAHU and NAHU Leaders to avoid business transactions which may be considered a conflict of interest. While there may be limited situations where products or services may be in the best interests of the Association, it is the responsibility of all NAHU Leaders to report the existence of a potential or actual conflict of interest and for any such transactions to be conducted in a manner which will eliminate the influence of any NAHU Leader in that decision.

Federal law requires nonprofits to act with independence and accordingly, certain types of transactions between NAHU and Interested Persons are prohibited in all circumstances. NAHU shall not enter Transactions with Interested Persons.

For all other business transactions:

- a. No person dealing with NAHU shall receive special favor or consideration because of that individual's current or former position with NAHU; and
- b. No person acting on behalf of NAHU should have a material, financial stake in transactions concerning the Association without the full knowledge and written consent of the Board of Trustees.

PROCEDURE:

Section 1 - Definitions: For purposes of this Policy and Procedure:

1. *Interested Person* means:
 - a. An individual who currently serves, or has served during the previous five years, as a member of the NAHU Board of Trustees, including as an officer of NAHU;
 - b. An individual who currently serves, or has served during the previous five years, as a key employee of NAHU (as defined in relevant IRS filing requirements for nonprofit entities);

- c. Substantial contributor, meaning a person or their spouse who gave an aggregate amount of more than \$5,000, if that amount is more than 2% of the total contributions the foundation or organization received from its inception through the end of the year in which that person's contributions were received, whether during the current year or at any point since NAHU's creation;
- d. A family member of any individual described under (a) or (b); or
- e. An entity which is controlled (meaning having an ownership interest, directly or indirectly, of more than 35% in a corporation, partnership or other business entity) by any individual meeting one or more of the categories above.

Interested Person shall not include an individual who might meet the definition of an *Interested Person* for a related organization (such as HUPAC or the NAHU Education Foundation) which is a separate corporate entity, even if potentially subordinate to NAHU.

- 2. *Transactions with Interested Persons* means any business arrangement between an Interested Person and NAHU which falls within one of the following categories:
 - a. Excess benefit transactions, where the Interested Person receives the excess of the economic benefit received from NAHU over the consideration or services provided through the transaction;
 - b. Loans to or from an Interested Person;
 - c. Grants benefitting an Interested Person; or
 - d. Business transactions involving an Interested Person which, in a single tax year, are (i) \$100,000 or more in all transactions, or (ii) \$10,000 (or 1% of total revenue) or more in any single transaction.
- 3. *Conflict of interest* means any transaction in which a current or former NAHU Leader has a material financial interest. A *conflicted individual* is a NAHU Leader with a conflict of interest relative to a transaction.
- 4. *NAHU Leader* means any current member of NAHU Staff or of a NAHU-Related Entity, or an individual who has previously been a NAHU Leader during any part of the 12 months preceding a vote concerning a transaction in which the NAHU Leader has a material financial interest.
- 5. *NAHU-Related Entity* means any NAHU Board, Commission, Committee, Advisory Group, Working Group, Task Force or Foundation.
- 6. *Material Financial Interest* means any direct or indirect benefit, including salary and/or compensation received directly by a NAHU Leader or by a NAHU Leader's immediate relatives (parents, children, siblings, spouses and the spouse's immediate relatives), co-residents or roommates, or any corporation, partnership or business in which such person is an officer, partner, director, executive or major stockholder.
 - a. In the case of NAHU staff, material financial interest shall exclude regular salary, bonuses, benefits and other compensation paid them in the normal course of their duties on behalf of NAHU.

- b. In the case of a member of a NAHU Entity, material financial interest shall exclude salary, compensation or benefit resulting from holding a position common to the general membership. (For example, a Board Member voting to spend money on behalf of a group supporting guarantee issue of health insurance does not have a conflict of interest even though such a legal requirement would likely increase their income as many members of NAHU would likewise benefit).
7. *Major stockholder* means ownership or control of five percent (5%) or more of the outstanding stock of a Business Entity.

Section 2 - Conduct by NAHU Leader when there is a conflict of interest

1. It is the responsibility of any individual who is a NAHU Leader (as defined above) to:
 - a. Not solicit association business for any reason;
 - b. Not participate in any discussion or vote concerning a transaction in which they have a conflict of interest; and
 - c. Voluntarily recuse themselves from activities in which they have or believe they have a conflict of interest. In cases deemed appropriated by the President, a vote by the Board of Trustees in which at least 60 percent of its membership concurs, may permit a conflicted individual to participate in discussions on a transaction.
2. A NAHU Leader shall disclose any material financial interest in transactions contemplated or entered into by NAHU as soon as such interest is known. Such notification must be made, in writing, to the Chief Executive Officer/Executive Vice President (CEO/EVP) and the President. If the potential conflict involves the CEO/EVP, additional notification shall be made to the Chief Financial Officer of NAHU. If the potential conflict involves the President, additional notification shall be made to the President-Elect.
3. If a NAHU Leader is aware of potential conflict of interest concerning another NAHU Leader, such information shall be disclosed in the same manner as outlined above.

Section 3 – Handling of Conflicts of Interest

1. Conflicts of Interest among members of NAHU-Related Entities. For all proposed or actual business transactions that involve a potential or actual conflict of interest and which there is a determination that there is still a business need for the transaction to be considered:
 - a. Requests for Review of Potential Conflict of Interest:
 - i. Any member of a NAHU-Related Entity may seek a vote of the full NAHU-Related Entity to determine whether a conflict of interest exists for a NAHU Leader relative to the NAHU-Related Entity's work.
 - ii. If a majority of the NAHU Entity determines a conflict exists for an individual Entity Member, that individual will not be permitted to participate in the discussion nor permitted to vote concerning the transaction.
 - iii. The individual subject to another Member of the NAHU Entity's motion concerning a conflict of interest may participate in the discussion but may not vote in the debate determining whether a conflict of interest exists.

- b. The NAHU Board of Trustees approves a motion by majority vote specifically acknowledging the conflict of interest and stating the level of participation in the decision related to the transaction by the conflicted individual. (For example, if after disclosing a conflict of interest, a Member of the Board of Trustees is permitted to discuss the matter prior to a vote, such involvement must be noted in specific motion). This motion may be part of the motion approving the transaction or in a separate motion.
- c. The minutes of a NAHU Entity shall reflect all information relative to a conflict of interest. The minutes of the NAHU Board of Trustees shall specifically reference receipt of any information from staff or NAHU Entities concerning conflicts of interest.
- d. In cases deemed appropriated by the President, a vote by the Board of Trustees in which at least 60 percent of its membership concurs, may permit a conflicted individual to participate in discussions on a transaction.
- e. NAHU Entities shall report all incidences of conflicts of interest to the Board of Trustees including a description of how the conflict was handled.
- f. All votes by all NAHU Entities (including the Executive Committee) permitting a conflicted individual to participate in discussions concerning the transaction shall be reported immediately to the Board of Trustees. The Board of Trustees shall have the authority to overturn any decision made in connection to the conflict of interest.

2. Staff Conflicts of Interest

- a. Unless the CEO/EVP has a conflict of interest, it is the responsibility of the CEO/EVP to review all business transactions which potential conflict of interest to determine if the proposed transaction falls within the scope of a Transaction with an Interested Person in which situation Those transactions that are within the scope and responsibility of the CEO/EVP (and do not require approval by the NAHU Board of Trustees) and involve any other NAHU Leader, the CEO/EVP shall immediately communicate with the Interested Person that any such transaction, directly or indirectly, with NAHU, is strictly prohibited under this P&P and take all appropriate action to exclude the individual from the decision-making process and from activities in support of the transaction.
- b. In the event that the CEO/EVP has a conflict of interest, the assessment shall be conducted jointly by the Chief Financial Officer and the NAHU President, who shall take all appropriate action to exclude CEO/EVP from the decision-making process and from activities in support of the transaction, and should disclose that action to the Board of Trustees prior to any vote on the matter by the Board of Trustees.
- c. The CEO/EVP shall disclose to the President on a regular basis any transactions that were assessed as potential conflicts of interest, and what action, if any, was taken by CEO/EVP or staff.

FINANCIAL IMPACT: None