



SOCIETY OF ACTUARIES

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# Health Section News

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# HEALTH SECTION NEWS

"For Professional Recognition of the Health Actuary"

Issue Number 42, January 2002

## Chairperson's Corner

by Daniel L. Wolak

**M**y phone rang at about 9:25 that day at my office in Stamford, Connecticut, located 40 miles from lower Manhattan. I was just beginning to reply to an e-mail requesting catastrophic claim coverage for a group life program. On the phone was my sister. She said "Good, you're here". I asked why she was relieved. She responded "The World Trade Center has just been hit by two planes." I was stunned, said good-bye, and informed

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## A Brief Note About Pricing Aggregate Stop-Loss Coverage

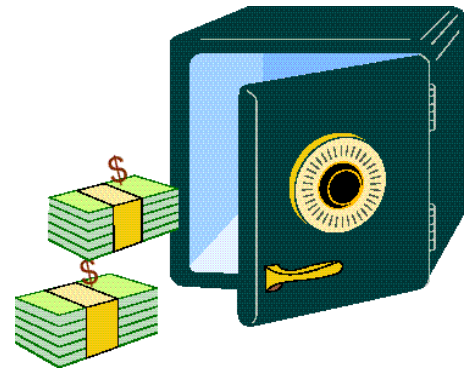
by Robert G. Mallison, Jr.,

### Overview

**W**hen an employer chooses self-funding as the vehicle for providing healthcare benefits for employees, he will typically purchase stop-loss coverage. Specific stop-loss protects against catastrophic costs resulting from individual claims, whereas aggregate stop-loss protects against high-cost claim experience for the group as a whole.

In medical stop-loss insurance, most of the premium (approximately 90%) is

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## Chairperson's Corner

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others in the department about the news, news they too were just becoming aware of. I went back and completed my e-mail responding that we would not be interested in offering the life catastrophic cover to the client.

Shortly after 9:30, we had three visitors from our second largest client arrive at our office. They told us that as their plane landed at the regional airport 20 miles north of NYC, they had seen smoke coming from the WTC. From that point on, it was an eerie day with the whirlwind of events unfolding in the city 40 miles away and the need to have the meeting with our visitors.

Suddenly our lifestyles changed on that day, but also questions regarding risks changed that day. In the employer health and life insurance marketplaces, we are faced with issues we had not really thought about before. For group life, the significant issue is the concentration of risk. In the past, catastrophic covers have alleviated fears of insurers having a large loss from one event. As we move into 2002, those covers may be limited and generally are expected to exclude coverage for terrorism.

For health, prior to September 11<sup>th</sup>, we were already in a period where costs were rising at a rate that we have not seen since the late 1980s and early 1990s. Now, on top of already rising costs, we are faced with the possibility of additional drug and mental health care utilization. In addition, the healthcare

system is in a state of preparation for another type of attack that we have not seen before.

The world has changed since September 11<sup>th</sup>. How are we as actuaries responding to these changes? I hope that

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you are considering the answer to that question.

### Upcoming Plans

We don't know at the time of this writing if Barry Bonds will be in San Francisco in late June, but we hope that you will be. The Health Section is being represented on the meeting planning group by Karl Volkmar and Bob McGee. The Health Section will be coordinating 45 sessions, a luncheon, a reception, and a hot breakfast. In addition, the afternoon of Wednesday the 26<sup>th</sup>, the third day of the meeting, will include special health valuation actuary symposium topics.

One of the Health Section's functions is to sponsor a newsletter for the members that include articles from the membership. If you would like to contribute to this newsletter, you can do so by preparing a write-up of no more than three pages or providing several thoughts that may be only a one-half column in nature. Our

next newsletter is scheduled for April 2002.

### And a Big Thanks

As incoming chairperson for the Health Section, effective this past October at the New Orleans meeting, I have the challenge of replacing Leigh Wachenheim, who held that position this past year. A big thanks to Leigh for her contributions as chairperson for the section this past year and her contributions to the Health Section during her recently concluded three-year term. In addition, thanks to Kevin Dolsky and Geoff Sandler whose terms on the Health Section also ended in October.

Joining me on the council this year will be John Cookson, Vice Chairperson, Cindy Miller, Secretary/Treasurer, Tony Wittmann, Jim O'Connor, Bob McGee, Dan Skwire, Chuck Fuhrer, and Rowen Bell.

We also have the good fortune to have the continued support of former council members who now bear the title of "Friends." The Council's Friends for this year will be Tom Corcoran, Bernie Rabinowitz, Geoff Sandler, Jeff Miller, and Kevin Dolsky.

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