



SOCIETY OF ACTUARIES

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## New law at a glance

Here's an overview of the provisions under the Health Insurance Portability and Accountability Act of 1996:

- Health plans cannot deny coverage nor impose preexisting condition exclusions for more than 12 months for any condition diagnosed or treated in the previous six months. Also, insurers cannot impose any new preexisting condition exclusions on anyone who maintains continuous coverage (i.e., no more than a 63-day gap).
- Health insurers offering health insurance in the individual market must provide individual policies for those who leave jobs voluntarily or involuntarily and for their dependents. This applies only to those who maintain continuous coverage for the preceding 18 months and who are no longer eligible for COBRA coverage.
- The law prohibits insurers from refusing to sell plans to small employers (2 to 50 employees).
- The deductibility of premiums for the self-employed increases, over time, from 30% to 80%.
- Tax incentives are offered for the purchase of long-term care insurance.

Insurers operating in states where the federal law applies (that is, the state has not obtained a waiver) can meet the group-to-individual portability requirements in one of three ways, observes Tom Stoiber, senior consultant for Coopers & Lybrand and member of the American Academy of Actuaries work group advising Sens. Kassebaum's and Kennedy's staffs. Stoiber notes that the federal standard calls for individual health insurers to guarantee issue of all the products they sell, but the law does allow insurers to choose between two other options as well:

**Option 1:** Offer the two most popular plans. Here, the implication is that risk would be spread across all purchasers of those two plans. However, Stoiber points out, "This could lead to a rise in the premiums of those two plans, making them less popular. Actuaries would have to continually monitor plans for their ranking."

**Option 2:** Offer a low-cost plan and a high-cost plan. The premiums can't have more than a 15% difference between them, and the cost of benefits must meet an actuarial equivalent test on criteria that are not clearly specified.

### Expansion (continued from page 3)

if you are in a new field yourself. You might like some company.

- **Invited papers.** Through the new *North American Actuarial Journal*, we are encouraging papers on the application of traditional actuarial techniques to new practice areas and of non-traditional techniques to current areas of practice. In addition, we encourage actuaries to submit papers to non-actuarial journals to spread the word that actuaries can contribute ideas and approaches to a wide range of disciplines.
- **New skills.** The new text, *Actuarial Aspects of Financial Theory*, being developed by the SOA Foundation, will be distributed to members next year. It will offer actuaries a new set of marketable skills.

New potential practice areas for actuaries are easy to identify but may

be difficult to enter. I saw an example in an August 10, 1996, *Economist* article on European bank lending. It discusses a new approach to analyzing credit risk and says the method parallels "the calculation of insurance risks by actuaries." Are we up to the challenge of entering a field using "our" approach now dominated by others?

We must strive to expand our professional reach in this changing world if we are to continue to flourish. If we do not change, technology and other professionals will encroach on our current areas of practice. In fact, if we don't add value to our employers and clients, we may not remain employed. If we are not seen as solvers of new or different business problems, our profession will stagnate.

Expansion is not the responsibility of the SOA alone. Recruiters can try to place actuaries in new areas.

Academics can help students seek employment in non-traditional areas, using the skill set of the actuary to provide a valuable perspective for many types of employment while still keeping their actuarial identity.

However, the ultimate responsibility lies with the individual actuary to each day expand your own areas of practice. Continuing education will become even more important in the future. The annual meeting in Orlando this month offers many sessions to add knowledge and stimulate your imagination on how to expand your personal future and that of the profession. At the Tuesday, October 29, Presidential Luncheon, I'll share more thoughts on "The Redesign of the Actuary." I hope to see you there.