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Editor's Column

by *Jeff Miller*

I'm writing this letter on a fateful day for health actuaries. Today is Thursday, June 22, 2000, and the *Wall Street Journal* features an article on the front page entitled "Shaky Policy – Unexpected Rate Rises Jolt Elders Insured for Long-Term Care." While actuaries aren't mentioned often in the article, our work is its main focus.

The article makes some very interesting statements, such as:

The insurers erred in the complex business of figuring out how low they can make rates and still have sufficient capital and reserves to pay claims....

"It's a complete deceit for seniors to spend hard-earned money to buy these products, trusting the companies to be there when they need them, and then find out later that they cannot afford to keep the benefits in place," says Bonnie Burns, who advises seniors on insurance for a California program....

The...insurers...deny intentionally underpricing policies to gain market share. They blame their own miscalculations. A key one was assuming that a substantial number of new policyholders would change their minds and let their coverage lapse early on, thus ceasing to be a liability....

The former actuary ... responds that problems arose from [the company's] determination to charge the same low premium to healthy people and sick ones alike.

Could there be a more graphic demonstration of the importance and danger involved in the work we do?

While all health actuaries are not long-term care experts, we all know the problems that actuaries face in pricing long-term care policies. We know about uncertain patterns of future treatment. We know about potential adverse selection, especially when underwriting standards are compromised. We know about competitive pressures for lower and lower premium rates. And finally, we know about the aversion of marketing people to fully disclose complicated policy provisions. Ours is a very complex business.

We hope that this edition of *Health Section News*, as well as other activities of the Society of Actuaries, will help you to do a better job at this very challenging profession we have all chosen.

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Jeff Miller, Editor