



SOCIETY OF ACTUARIES

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SECTION CORNER

This column reports on activities and newsletters of all special interest Sections on a rotating basis. This month covers the Financial Reporting and Education and Research Sections.

Financial Reporting Section

Membership in this Section stands at 3,045.

Lead articles in the March 1993 issue of *The Financial Reporter* include "A Demutualization Primer: Part 1. A Management Perspective" by Bruce Darling and "A Market Value Balance Sheet: Why and How" by Matthew C. Modisett. An article by Douglas C. Doll on "LHATF Report on Life Insurance and Annuity Projects" also ran in that issue.

The Section sponsored a seminar, "Postmortem on 1992 Valuation Actuary Opinion — Looking Forward to 1993," on June 3-4 in Florida.

Education and Research Section

This Section now has 708 members. Arnold Shapiro is this Section Council's chair-elect beginning in October 1993.

The March 1993 issue of this Section's newsletter, *Expanding Horizons*, edited by Bruce L. Jones, covers a full range of topics. Esther Portnoy's article on "ASA Requirements to Increase" leads off the issue. Other articles include "The CIA's Continuing Professional Development Standards" by Peter Gorham, "Actuarial Science at the University of Montreal" by Louis Doray, "Master's Degree Programs in Actuarial Science" by Howard Young, and an article by Warren Luckner discussing the "Actuarial Science Program at Nankai University, Tianjin, People's Republic of China." An article on the highlights of the Research Section's last council meeting in February discusses a budget item approved to create semiannual reports on the economics of entry-level actuarial employment.

The Section is planning a breakfast at the SOA annual meeting in New York on October 19. It also is sponsoring at that meeting a session on research papers for FSA credit, a teaching session on graduation, and a panel discussion jointly sponsored with the International Section on actuarial programs in other countries.

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Psychiatric disability claims: problem or opportunity?

by Richard Lewis

In the past decade, psychiatric disabilities have emerged as one of the fastest growing, most expensive, and most difficult categories of disability claims. Group insurers, individual disability insurers, workers compensation insurers, and self-insured employers all struggle with the management of such cases. The Social Security Disability Insurance program has experienced an increase in mental/nervous entitlements from under 3% to more than 15% of new cases since the early 1980s.

What is the cause of increase?

Three factors cause this situation:

- 1) Medical/social acceptance — Diagnosis, treatment, and medical recognition of psychiatric illnesses, coupled with societal acceptance of such illnesses, have increased in the past 20 years. In the 1950s or 1960s, it was unusual for an individual to claim psychiatric illness except in the most severe circumstances. Often, there was resistance from medical practitioners. Today such diagnoses and claims are common and accepted.
- 2) Economic/job stress — During the past 10 years, a transformation has occurred in the work place. Job stress from increased productivity demands, new information technology, and rapid decision making is endemic. Traditional worker/company relationships and loyalties have been fractured. This fosters greater willingness for employees to file disability claims.
- 3) Ineffective psychiatric disability claim management — Psychiatric disability claims are difficult to evaluate and manage. Issues include organic versus inorganic diagnoses, the subjective measurement of functional loss, and difficulty in obtaining clear and useful input from treating specialists. A lack of medical and psychiatric rehabilitative expertise from insurers, administrators, and employers may have much impact on claim continuance.

In addition, limits on psychiatric

benefits in employers' health plans may be a contributing factor. Such limitations can cause individuals to defer treatment or to be undertreated. This can result in periods of intermittent short-term disability that conclude in a more severe episode of serious longer-term disability.

Rehabilitative model key to effective management

Given these realities, what can an insurer do to more effectively manage psychiatric disabilities and improve experience from such claims?

To achieve return-to-work and claim closure consistently, the claims management function must operate on the basis of a rehabilitative model for mental illness. Management also must have staff resources able to effectively operate within the model's requirements.

The Boston University Center for Psychiatric Rehabilitation developed and uses the rehabilitation model on the next page. It provides an excellent framework for psychiatric disability case management.

The model considers three different stages of mental illness: impairment, disability, and disadvantage. Historically, our efforts in claims management have been too focused on the impairment stage, where much of the decision-making rests on determining diagnosis. This can be very difficult in psychiatric claims and requires specialized claims management resources and training. The underlying issues of restrictions or inability to perform work activities often are not addressed.

With physical disabilities, such functional limitations usually deal with limited or restricted ability to perform observable physical functions. Psychiatric illnesses impact behavioral, social, and cognitive abilities. Examples include social adjustment skills, ability to read and follow instructions, ability to deal with work process changes, ability to participate effectively in work teams, and adjustment to workplace stress.

The third stage of the model also

Book review

Many disciplines used in book tracing native Americans

by Robert J. Johansen

The First Immigrants From Asia, A Population History of the North American Indians, A.J. Jaffe with Carolyn Sperber. Published by Plenum Press, 233 Spring Street, New York, NY 10013, 1992, xxiii + 333, ISBN 0-306-43952-2. \$39.50 (\$47.40 outside U.S. and Canada)

Dr. A. J. (Abe) Jaffe calls on the disciplines of demography, anthropology, archeology, geology, geography, ethnology, and statistical and actuarial theory in a panoramic sweep of history and prehistory as he traces the North American native people from their wanderings in Asia across the Bering land bridge to North America.

Without a written history, Jaffe applies his knowledge, experience, and plain common sense to archeological and other data to reconstruct migrations across North America and the transition of many tribes from hunters and gatherers to an agricultural existence. Jaffe uses analyses of skeletal remains to derive estimates of birth and death rates and tribal/family relationships. He notes physiological limits on fertility, the apparent high mortality of primitive people, and that substantial numbers existed when the early colonists arrived from Europe. He justifies his estimates of pre-Columbian vital statistics as compatible with a very slow population growth over millennia. He also shows that some others' estimates would produce results incompatible with any reasonable estimates of the population of North America when Columbus landed.

In the third of 13 appendices, Jaffe explains his derivation of pre-Columbian life tables (agriculturalists live a bit longer, men longer than women). Without skeletons of children (whose bones don't survive), he extended the adult life tables back to age 0 by developing a relationship between e_0 and e_{20} for high mortality populations.

Jaffe confined his analyses to the people in the geographic areas of the United States and Canada. He describes the devastating effects of European colonization on the native populations and their recent increase in numbers to equal the probable population in 1492. In discussing recent trends, he documents inconsistencies in U.S. and Canadian census enumerations and definitions. He also suggests how to adjust and interpret the data for trends. He raises many questions about the pre-Columbian civilizations, pointing out that many questions can never be answered and answers to others can only be conjectured. The deductions and logic are fascinating.

In this interdisciplinary view of the extended history of the native people of North America, Jaffe provides a full picture, explaining what he has done and why. Actuaries reading this book will add to both their knowledge of history and of applying common sense judgments to assumptions, results, and conclusions drawn.

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Editorial cont'd

address fundamental issues and not just their outcomes. The needs of the ultimate users of the system or product being reviewed must be addressed, not just our immediate client. For example, many actuaries believe high cost is the primary cause of lack of universal access to health care. Trying to "solve" the health access issue without addressing the cost issue may only exacerbate the longer-term problem.

As professionals involved in evaluating the consequences of risk, the potential reach and value of the methods we employ can be surprisingly broad. We have to make the extra effort necessary to make a real contribution to business and public policy.

Guest Editor Sam Gutterman, a Vice-President of the Society of Actuaries managing the Health Benefit Systems Practice Area, is director and consulting actuary at Price Waterhouse, Chicago.

Section corner cont'd

The Education and Research Section is sponsoring the 28th Annual Actuarial Research Conference at the University of Wisconsin, Madison, from August 19-21 in honor of Professor Jim Hickman.

This Section administers the ASA/FSA grant program and has awarded 21 grants to universities (2 FSA and 19 ASA) since the program began in 1990.

Fall Seminar Calendar

September 20-21	Valuation Actuary Symposium	San Francisco San Francisco Marriott
October 4-5	Multivariate Duration Analysis	Boston MIT Faculty Club
October 6-7	Multivariate Immunization Theory	Boston MIT Faculty Club
October 17-20	Annual Meeting	New York New York Marriott Marquis
December 6-7	Critical Issues in Underwriting	San Francisco Marriott-Fisherman's Wharf