

Misguided and Misinformed

It is with considerable sadness that I read "Solving Social Security: Fire the Politicians" by Steve Selengut, which appeared in the September/October 2007 issue. I realize *Contingencies* wishes to provoke discussion of public policy issues by publishing a variety of viewpoints, but it is hard to imagine a more misinformed article than this. While I have opposed individual investment accounts as a part of Social Security, I respect the opinions of those who argue for them if they demonstrate a good understanding of the present program and its rationale (See, for example, the articles by Haeworth Robertson and myself in the May/June 2005 issue of *Contingencies*).

Most egregiously, the author apparently has no understanding of the carefully crafted balance of individual equity and social adequacy of the present program. Or to use other words, Social Security operates as a social safety net by incorporating significant welfare elements in its benefit formulas. It also incorporates significant life and disability insurance benefits not replaceable by Mr. Selengut's proposed program.

To attempt to stigmatize the present program by calling it a Ponzi scheme again shows little knowledge of the history of Social Security. Unlike Ponzi, Congress has repeatedly acted to adjust the program to maintain its long-term viability. Clearly, further adjustments are going to be needed as the baby boom generation retires, but these need not be of a draconian nature.

Social Security is widely recognized as the most successful social welfare program ever adopted by the federal government. I hope that in the future *Contingencies* will avoid publishing commentary obscuring that fact.

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The commentary "Solving Social Security" does not contribute one iota to either understanding or resolving Social Security's financing and design problems. The publication of informed differences of opinion is quite appropri-

ate, but uninformed commentaries only add to public confusion, making rational reform more difficult. They have no place in a magazine published by the American Academy of Actuaries.

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Making Behavior Count

I would like to take the subject of Richard Zatorski's recent piece ("Truth and Consequences," September/October 2007) a little further. He asked if readers would prefer a system that monitors how fast vehicles are moving instead of the "random enforcement" we now have. For insurance purposes, would we rather have our premiums determined by where, when, and how we actually drive or by our age, sex, marital status, place of garaging, past accidents and violations, and how diligently we pay our bills?

It's possible right now for vehicles to be monitored for time, location, speed, and G-forces. Using this information along with certain geographic information systems data like posted speed limits, and advanced predictive modeling techniques, can produce a measure of the likelihood that a driver will be involved in an accident. Your insurance premium could be determined by the following, to the extent these activities correlate positively with having accidents:

- ▶ The speed you are driving relative to the speed limit;
- ▶ The G-forces on your vehicle when it accelerates, decelerates, and goes around curves;
- ▶ The time of day you are driving and how many hours you have been driving;
- ▶ Where you are driving.

It may be that exceeding the speed limit by 10 to 15 mph on a rural interstate highway does not correlate as strongly to accident occurrences as exceeding the speed limit by 5 mph in a school zone. The system doesn't care whether you are speeding. It only cares about whether you are likely to have an accident/claim.

While you might expect some resistance to the automatic enforcement of traffic laws, would you object similarly to

the automatic enforcement of the insurance laws? The system would be better served (and arguably everyone within it—otherwise only those not telling the truth benefit) if the facts on which our premiums are based are correct. No more telling the agent you drive just 7,500 miles per year when in fact you drive 14,000 miles a year. No more getting tickets fixed so they don't show up on your motor vehicle record.

The technology to base insurance premiums on where, when, and how you drive is available now. In fact, it has been more fully developed by some large self-insured trucking firms. Some subsets of it are being used for personal motor insurance in Europe. And a few personal insurers have experimented with parts of it in this country. Many believe at least some aspects of such a system inevitably will find their way into the determination of insurance premiums. But before it moves into the mainstream in the United States, an insurer will need to be willing to spend the time and money necessary to change the current system to one that bases insurance premiums on driving behavior.

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A Remembered Love

I read with absolute delight the article on Wallace Stevens ("Uncalculated Risks: The Working Lives of Wallace Stevens," September/October 2007). Until Daniel Skwire's charming discussion of the man, had anyone asked me who Stevens was, I would have immediately responded with "The poet who wrote 'The Emperor of Ice Cream' and 'The Man with the Blue Guitar.'"

I fell in love (and retain that fondness) with Stevens' poetry exactly 45 years ago in Dr. Wright's freshman English course at U.C. Davis. I turned again last night to the collected poems of Wallace Stevens, a welcome respite from actuarial memoranda and health care reform issues. Thank you for expanding my understanding—and appreciation—of one of my favorite poets.

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