new rationale. Discussion of the new rationale identifies an instructive analogy between the conventional actuarial estimator and a money-weighted rate of return in a financial transaction, and between the product limit estimator and a time-weighted rate of return. *Insurance: Mathematics and Economics*, October 1995, 17(2): 125–132. (Reprinted with permission of North-Holland Publishing Company.)

INSURANCE RATEMAKING

Community Rating and Equalisation, by Walther Neuhaus (University of Copenhagen and MIRA Consultants, Ltd., Sydney)

Several countries have made community rating mandatory for certain lines of insurance, particularly health insurance. This paper offers a theoretical solution to the problem of designing equalisation schemes to support community rating in a market where different insurers are selling different benefit plans. The criterion chosen is that an equalisation scheme should minimise the opportunities for arbitrage between insurers, which community rating otherwise would generate. Several possible measures of arbitrage are presented, and the optimal schemes are compared against data from Australian health insurers. Finally, the approach is extended to partial community rating, for example unisex rating. *Astin Bulletin*, November 1995, 25(2): 95–118. (Reprinted with permission of the *Astin Bulletin*.)

HEALTH AND RETIREMENT

The Task Force on Aging Research, established by Congress in 1990, has developed a comprehensive retirement data base known as the Health and Retirement Study (HRS.) In 1992, the HRS began to follow a cohort of men and women aged 51 to 61. This longitudinal study will interview respondents every other year for the rest of the decade and beyond. This first wave of data, which has just been released for public use, contains 12,564 respondents from 7,703 households. It contains an oversample of blacks, Hispanics, and residents of the State of Florida. Readers interested in the scope of the HRS are directed to a thorough analysis of its content and potential for research contained in *The Journal of Human Resources*, 1995, Vol. 30 (Supplement). This special issue provides a historical development of the project and a description of the data and each major section of the study (labor force participation and pensions, health conditions and health status, family structure of transfers, and economic status). Several papers give examples of uses of the HRS. Still other articles review the survey and assess the quality of the data.

The authors were privy to two preliminary versions of the data. Restrictions were placed on their ability to share the data to meet confidentiality guidelines because the HRS data will eventually be linked to the Social Security Administration master earnings file and master beneficiary records. The authors, however, are willing to send researchers the programs used in their analysis which, in most cases, can be replicated using the public use version. This version does not contain variables that might jeopardize privacy. The linked social security and HRS data are scheduled to be released sometime in early 1996. Access the HRS's home page on the World Wide Web at *http://www.umich.edu/~hrswww.* The home page provides access to HRS news, publications, data access, and other information.

Health-Insurance Availability and the Retirement Decision, by Jonathan Gruber (Massachusetts Institute of Technology) and Brigitte C. Madrian (University of Chicago)

This article examines the effect of both state mandates of health insurance continuation and COBRA legislation upon the decision to retire. The older worker's cost for continued coverage is generally well below that for a comparable policy in the individual market. Variation in laws across states and over time allow the authors to assess the sensitivity of retirement behavior to this subsidy. The Census Bureau's Current Population Survey and the Survey of Income and Program Participation are the data sources. The results suggest that one year of continuation coverage increases the probability of retiring by 2.2 percentage points. The implied effect on the retirement hazard is that one year of continuation coverage increases the hazard by 32.4 percent. Using a dynamic stochastic programming model, the authors conclude that one year of continuation coverage is valued at \$13,600—an amount substantially higher than the cost differential between the retiree's cost for continued coverage and the price to purchase individual coverage. *The American Economic Review*, September 1995, 85(4): 938–948.

INSURANCE AND SOCIAL ISSUES

The Paradox of Welfare and Insurance, by C. J. M. Schuyt (University of Amsterdam)

Insurances provide solidarity, and the premium is the price for avoiding risks. But with the passing of time, the insured has increasingly come to look on the premium as a payment that gives rights. People took less care and personal responsibility made way for the shifting of responsibility onto society as a whole. Higher claims led to higher premiums, thus reinforcing this behaviour. Changes are necessary in the way the system of insuring is organised, but these changes need to be in harmony with the sense of responsibility prevailing in a society. *The Geneva Papers on Risk and Insurance: Issues and Practice*, October 1995, 20(77): 430–438. (Reprinted with permission of *The Geneva Papers on Risk and Insurance.*)

From Insurance State to Welfare State, and Back Again? by Bert de Vries (Erasmus University)

In the Middle ages social security was largely a matter for the guilds. When the guilds were abolished, insurance companies partly assumed this responsibility. Later, the government demanded that it should take over. Now, the key question is