

Business Week
From Standard & Poor's
Ratings Direct
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**A Less Healthy Health
Insurance Sector**

*The weakened economy
will pressure profits—
and credit quality—in the
managed care industry*

The U.S. economy is in a recession, and the health insurance industry has not proved immune to what ails the nation. With joblessness on the rise, volatile financial markets, and consumer income either flat or falling by most measures, Standard & Poor's Ratings Services on Nov. 3 revised the outlook on the managed care industry to negative from stable. The impact of the deteriorating economy, slowing top-line growth, aggressive pricing strategies, and negative medical trend development were the key factors in our decision. As a result, over the next six to 12 months, we anticipate there will be more downgrades than upgrades in this sector.

The negative economic outlook for 2009 puts increased pressure on profit margins, making accurate underwriting that much more critical to financial performance.

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MIB Solutions, Inc. • 50 Braintree Hill Park • Suite 400 • Braintree, MA • 02184-8734