



SOCIETY OF ACTUARIES

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AIDS Symposium Highlights

Insurance and the AIDS Epidemic." the Society of Actuaries symposium which ran May 2-3, 1988, was well received by those 350 attending. The two-day symposium featured a number of significant topics and prestigious speakers and was structured to present an overview of certain AIDS issues followed by a breakdown of these issues into three tracks: life insurance, health insurance and disability income insurance.

The symposium opened with a keynote address by Dr. James J. Goedert, the AIDS Coordinator of the Epidemiology and Biostatistics Program at the National Cancer Institute. Dr. Goedert's presentation traced the development of the HIV virus, how it was isolated, how it affects the body's immune system, and ultimately what treatments are currently available to curb the virus' effects.

This was followed by a panel presentation on AIDS — The Epidemic, moderated by Michael J. Cowell. Ian Rolland, President-Elect of the Society of Actuaries and President of Lincoln National Corporation, spoke about the financial costs associated with AIDS and the obligation actuaries have to policyholders and stockholders to find legitimate ways to minimize those costs. Mr. Rolland also stressed that the actuary had an equally important obligation as a member of society to treat AIDS victims with compassion, understanding and respect. He cautioned, however, that very few companies right now are adjusting their mortality assumptions, prices or interest assumptions for new business being tested. Mr. Rolland emphasized that this situation must change if companies are to remain in business. He indicated that "marketing pressures cannot continue to override actuarial realities."

Also speaking on the same panel was Andre Chuffart, Vice President of Swiss RE in Zurich, Switzerland. Mr. Chuffart discussed the AIDS "problem" worldwide, as he called it, and spoke of three separate epidemics, each related to the other.

The first epidemic is the worldwide epidemic of HIV infection; the second is the epidemic of all diseases associated with the HIV infection; and the third epidemic is that of reaction and response to the first two

epidemics — the cultural, social, economic and political impact of the HIV infection and AIDS.

Mr. Chuffart also reported that as of March 1, 1988, 137 countries spread over five continents had reported at least one AIDS case, and that the total AIDS cases now reported from Africa (10,995) surpasses for the first time the current total for Europe (10,677). Increases in AIDS cases have also been particularly dramatic in Italy, France, and Spain. Asia and the Pacific region (except Australia and New Zealand) have not really been afflicted by the HIV epidemic, but Mr. Chuffart cautioned that these regions nevertheless should not consider themselves as being "off risk." He advised that they "use the time at their disposal to take appropriate measures now" to prevent any spread of the virus.

In the panel which discussed AIDS treatment and the impact on health care delivery systems, John J. Mahoney, President of the National Hospice Organization, talked about the hospice center as an alternative to provide care for AIDS patients. He indicated, however, that while hospice care usually provides better, more patient-oriented care at a substantial savings, not enough research has been conducted to indicate just how much is actually saved compared to straight hospital care, because cost reporting is not standardized. Mr. Mahoney also stressed that the hospital is an important lead organization to begin the process of alternative care. Hospitals must emphasize discharge planning, with appropriate referrals to community-based organizations such as hospices if the intention is to reduce inpatient length of stay and still provide "a place for the patient to go." He asked actuaries to consider such alternatives as hospices and home care in projecting the costs of and financially providing for the care of the terminally ill.

According to Harry Woodman, Vice President and Chief Underwriter for New York Life, who was speaking about the impact of the AIDS epidemic on life insurance, "No company can ignore the financial impact of AIDS regardless of the amount of claims they have had to date." "Keep in mind," he cautioned, "that in all companies AIDS claims are not fully identified." He added that each company should project its future claims based on its own characteristics. "Companies must plan strategies now for covering claim costs of AIDS. For in force business, this would

include lower dividends, increases in nonguaranteed premiums, designated surplus and reserve strengthening." Mr. Woodman also advised that possible strategies for new business include repricing, product discontinuation, and a refocus of marketing and agent recruiting.

In the same panel, William Carroll of the ACLI presented important new strategies from the ACLI/HIAA AIDS Related Claim Survey for the first six months of 1987. For ordinary life insurance, AIDS-related claims represented 1.1 percent of total claims during the first six months of 1987, up from 0.9 percent for all of 1986. Group life insurance AIDS-related claims accounted for 1.4 percent of total claims between January and June 1987, up from 0.9 in 1986.

Increases for accident and health insurance are also dramatic. Individual is up from 0.7 percent to 1.0 percent, and group (which accounts for the largest volume of business) is up from 0.3 percent to 0.7 percent.

In a discussion of the politics of AIDS, part of a panel presentation on the impact of regulatory, legislative, and political issues, James Dederer, Executive Vice President and General Counsel for Transamerica Life Companies, stressed that the issue of AIDS testing must be evaluated in the political context. This means that political factors will be the measuring rods rather than principles, merit, or logic. He advised the audience to recognize that risk classification does not "play well" and that legislators will not make decisions based on insurance rules and principles. Rather, they will base decisions on both their perception of peoples' expectations and the proper political result. Understanding this is important if the insurance industry is to deal with the politics of the AIDS issue.

Much more was presented and discussed at the AIDS Symposium, including advanced techniques in mathematical modeling of the HIV infection and practical aspects of company management. A full record of the discussions and wide range of viewpoints expressed at the symposium will be available in an upcoming *Proceedings*, scheduled for a September 1988 publication.

In addition, a videotape containing excerpts of highlights from the two-day symposium will be available shortly. Look for further information on both in a future issue of *The Actuary*.