

Item 1.2

Medical Information

Underwriting process

What & How & Why:

The underwriting of applicants for insurance products with risk cover entails classifying applicants into different risk pools, with each pool having the same risk. This is done to ensure an adequate premium is charged for individual risk.

Actuaries calculate the premiums payable by clients for risk cover on the basis of the life expectancy and individual risk factors of each individual.

This means that a person with a normal expected life expectancy with no adverse risk factors will pay a normal premium. On the other hand a person with a shortened life expectancy or increased risk factors, will have to pay a higher premium, i.e. a premium loading.

Example: Smokers would pay a higher premium loading, as opposed to non-smokers. Several scientific studies have proven that smokers have increased mortality and morbidity risk. It therefore follows that if a person's life expectancy becomes too short, the premiums for risk cover may become unaffordable.

In South Africa the average life expectancy for an HIV positive person who is not on a treatment management program, is presently between 8 to 10 years. When tuberculosis complicates this infection, the life expectancy is halved to 4 years. This means that the premium for an HIV positive person who is not on treatment is in practical terms unaffordable. Such a life would be regarded as uninsurable throughout the world for standard insurance products.

Studies of the outcomes of the latest available treatment for HIV patients are looking increasingly more favourable. It is fast becoming a chronic, treatable disease much like diabetes.

In our country, treatment outcomes are still less certain than in first world countries because of the limited experience of the effect of anti-retroviral treatment (ART).

Our epidemic varies from that of first world countries in terms of the following:

- Type and subtypes of HIV,
- The type and frequency of infections
- Uncertainties about whether the virus will become resistant against ARV.
- Uncertainties about whether the patients will take their medicines as prescribed.

The HIV positive person has a few alternatives. Some companies have developed special products, which will render limited cover for HIV positive persons who are not on treatment follow-up programs. However, some new generation risk cover products have emerged where unlimited cover is obtainable if the client is registered with and followed up by an HIV disease management program. This includes treatment by Government clinics. An essential requirement of these products is that the insured must follow treatment guidelines prescribed to him/her.

If someone with one of the new generation products fail to follow the prescribed treatment, despite repeated warnings to adhere to treatment, it will result in the cover being reduced to 10% of the cover amount. Another option is to opt for one of various investment products that yield higher returns without any risk cover.

As far as Aids testing is concerned at present, most of our prospective clients undergo an HIV screening test and approximately 2,5% show abnormal results.

With regard to pre-testing counselling, the industry has gone to great lengths in working together with organisations like the AIDS Consortium to develop appropriate pre-test counselling documentation which will result in the client giving his/her informed consent to being tested.

These processes of education and screening are a significant contribution to the containment of the AIDS epidemic.

The insurance industry monitors scientific advances on HIV-related matters closely and adapts its underwriting policy accordingly.