



## HIV – 3 DECADES LATER

Effects on the Life Business in Kenya - by Luke Wanjohi

- “Adversity reveals genius, prosperity conceals it.” — Horace

- After more than 30 years of HIV pandemic useful lessons are many.



Consider a case study of Kenya

## Defining AIDS

- Infected with HIV and present with one of the following:
- – A CD4+ T-cell count below 200 cells/ $\mu$ l (or a CD4+ T-cell percentage of total lymphocytes of less than 14%)



## Defining AIDS

- – or he/she has one of the following defining illnesses:
  - Candidiasis of bronchi, trachea, or lungs ; Candidiasis esophageal ; Cervical cancer (invasive) ; Coccidioidomycosis, disseminated or extrapulmonary ; Cryptococcosis, extrapulmonary ; Cryptosporidiosis, chronic intestinal for longer than 1 month ; Cytomegalovirus disease (other than liver, spleen or lymph nodes) ; Encephalopathy (HIV-related) ; Herpes simplex: chronic ulcer(s) (for more than 1 month) ; or bronchitis, pneumonitis, or esophagitis ; Histoplasmosis, disseminated or extrapulmonary ; Isosporiasis, chronic intestinal (for more than 1 month) ; Kaposi's sarcoma ; Lymphoma Burkitt's, immunoblastic or primary brain ; Mycobacterium avium complex ; Mycobacterium, other species, disseminated or extrapulmonary ; Mycobacterium carinii pneumonia ; Pneumonia (recurrent) ; Progressive multifocal leukoencephalopathy ; Salmonella septicemia (recurrent) ; Toxoplasmosis of the brain ; Tuberculosis ; Wasting syndrome due to HIV



## HIV AIDS

- Search for a vaccine and a cure has been elusive
- Anti Retroviral Drugs (ARVs) widely used.
  - NOT a cure
  - It can have serious side effects
  - Does not work for all patients



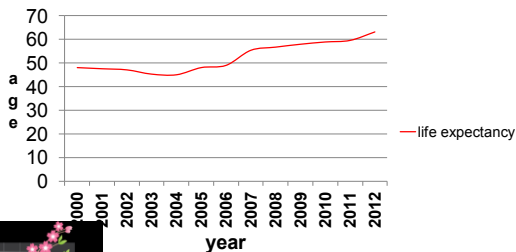
## Introduction

- First recorded case of HIV in 1984.
- AIDS pandemic has evolved into a major factor in national health, economic growth and national development.



...pectancy now stands at 62 years.

life expectancy in Kenya



Source: [CIA World Factbook](#) - accurate as of February 21, 2013



## Introduction

- The market for life insurance products has been clearly adjusted to the deal with this new reality.
- Regulatory intervention, Pricing, reserving and claims have clearly changed as a result.



## Government intervention

- Distribution of ARV and prophylaxis for positive pregnant women .
- Campaigns for lifestyle change and safe sex.
- **As of December 2011, 6.2% of adults were living with HIV – a 40% reduction since 1995–1996.**



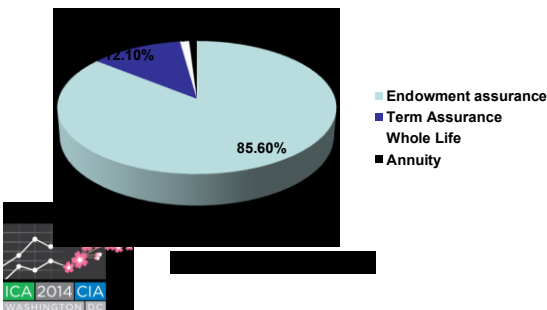
Source: Kenya AIDS epidemic update 2012 by NACC

## Current situation

- An estimated 49,126 people died of AIDS-related causes in 2011, approx 35% of the figure in 2002–2004.
- Encouraging!
- However, no cure in sight and new infections are a concern. **The risk still remains.**



## Products



## Products

- The Hiv Aids scourge has lowered the general life expectancy reducing the demand for annuities. They stand at only 1% of products sold.
- Annuities with guarantees or higher rates may also do



SOURCE:

## Products

- Endowment assurance takes more than 85% - good for policyholders seeking for an investment opportunity
- Unit linked policies may be a better choice for the insurer and the insured within a market with the HIV risk.
- Stands at 7% share - set to rise in future.



## Legislation

- HIV and AIDS Prevention and Control Act, 2006 –
  - no person shall be compelled to undergo a HIV test or to disclose his HIV status for the purpose only of gaining access to ... life insurance ..
  - AND the organization should devise a reasonable limit of cover for which a proposer shall not be required to disclose his HIV status.



SOURCE: Kenya Law Report No. 14 of 2006

## Result:

- Individual Life: many low sum Assured policies – consequently:
  - Low penetration and high expense risk
- Group Life – most members covered up to FCL to avoid HIV testing
  - Thus a higher claims experience



## Other Regulations

- Transition from **Compliance Based Supervision to Risk Based Supervision (RBS)**.
- RBS emphasizes more on understanding and anticipating the possible risks within the business plan e.g the HIV risk for Life Insurers.



## Reserving

- Use KE 2003-05 mortality tables in the calculation of actuarial liabilities instead of using the a1949-52.
- Reflecting the Kenyan mortality experience more accurately including the effect of Hiv Aids.



## Claims

- Group Life claims increased from Kshs 4.43 billion in 2011 to Kshs 5.87 billion in 2012, an increase of 32.5%.
- High FCL ,forced up by marketing pressure and anti selection due to limited u/w.
- high expenses and lower surpluses



Source: IRA Report 2012

## Ordinary Life claims

- Increased from Kshs 4.46 billion in 2011 to Kshs 8.29 billion in 2012, an increase of 85.9%. Of these, death claims are roughly 13%
- OL not spared – previously exclusion clause used – challenge of cause of death remains.



Source: IRA Report 2012

## Marketing

- Penetration at 1% for life insurance.
  - the legal restrictions in u/w and the stigma assoc. with HIV testing
- HIV positive product introduced earlier in the market did poorly – stigma and pricing!
- HIV Testing – an unpopular underwriting requirements.



## marketing

- Innovative products required to meet the challenge.
- A large number of the questions in the Proposal forms relate directly or indirectly to possibilities of Hiv infection.

these questions may be an impediment and provide little information.

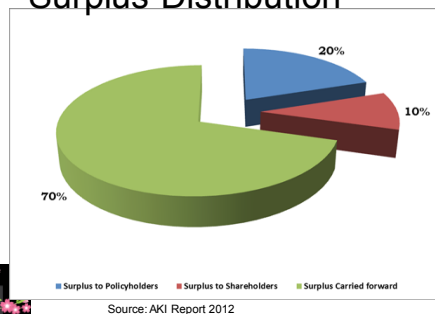


## Expenses

- HIV has increased the underwriting expenses at both new business and claims.
  - HIV test and confirmation of cause of death (no one dies of HIV!)
- Staff and admin expenses are increased.



## Surplus Distribution



## Surplus

- Higher % retained surplus
  - Cushion against the risk of HIV AIDS claims?
    - Bound to change as the situation improves
  - Prudence?
- Question of ability to meet PRE and increase penetration!



## Pricing

- Need to balance between equitable price and competitive pressure.
- GL most affected
- Individual life pricing has not been updated recently.



• KE2003 is currently not required for pricing basis.

## Withdrawals

- Of the total life ins benefits payments 50% were withdrawals and surrenders.
- High withdrawals would be compounded by the Hiv factor increasing the average mortality rates.



## CONCLUSION

- Not Business as usual – HIV has shaped much of how the business runs.
- More investigation required – rates and products.



## Questions

