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**President**

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## **Submission to IRDA**

### **Submission to IRDA on the exposure draft 70/IRDA/HLT/Coverage of HIV/2011-12**

This submission provides the comments based on the input provided by the Advisory Group on Health Care Insurance of the Institute of Actuaries of India and does not constitute views of the Council of the Institute.

### **Background:**

IRDA came out with an Exposure Draft on 2<sup>nd</sup> February, 2012 related to coverage of People Living with HIV and AIDS (PLHA) and asked various entities to comment on the draft. To our knowledge, IRDA did not ask IAI specifically for an opinion. However, we feel that this is an important topic which could have major impact on the industry and IAI in general and actuaries working on the subject in particular do have stake in the subject.. Therefore, it was decided to prepare a statement to highlight the implication of issues arising from this proposal, as well as suggesting ways to overcome these issues.

### **Issues to be considered and discussed:**

#### **1) How will pricing risk loading be done?**

There are some studies related to HIV treatment costs and overall HIV medical per capita costs from various countries, like the US, Germany and South Africa. However, there is a concern over the extent to which this can be utilized in an Indian context as the environment is very different. As there may not be a credible source for pricing assumptions, the whole industry may be exposed to the risk of inappropriate/under-pricing. The consequences are;

- Some insurers may want to mitigate this risk by a very conservative pricing.
- There is additional problem as PLHA are required to be covered under each health insurance plan. This means that a risk loading should be created for PLHA class of insured for each product. These loading factors may be very different across different insurers.

## 2) Should PLHA be covered on compulsory basis or voluntary basis?

Voluntary schemes are generally highly exposed to anti-selection at the time of underwriting and renewal, e.g. it is more likely that a sick person seeks health insurance than a healthy person. Underwriting creates some mitigation against the risk of anti-selection. However, this anti-selection can be mitigated only to a limited extent. Voluntary schemes are generally more restrictive than compulsory schemes to ensure and premium levels are maintained at an affordable level in the medium to long term. The consequences are;

- In a scenario where the premium level becomes so high that it no longer attracts healthy people, we may end up with a resultant imbalance and a situation that is untenable for both insurer and policyholders due to spiraling effect of cost of insurance.

## 3) Should other Sexually Transmitted Diseases (STDs) or other diseases be also covered in similar lines?

Covering only PLHA may raise questions regards to covering other diseases as well. Moreover, covering PLHA may make exclusion of other STDs e.g. - Syphilis - redundant. Therefore, the current consideration may not be limited to only PLHA. The industry may not be prepared at this stage to make changes to the systems, conduct pricing analysis and do other preparations to implement these.

## Suggestions:

- 1) HIV and other chronic disease should be considered to be covered under large compulsory schemes and not under voluntary health insurance plans due to anti-selection risks and its adverse implications.
- 2) Significant assistance will be needed by the industry in estimating the adequate premium rates and risk loading for PLHA. Means through which this can be achieved may be through MMIC Unit of the IAI funded by the Insurance Industry.
- 3) A separate risk pool of PLHA may be created at the industry level (similar to erstwhile motor pool). This will ensure standard insurance coverage and uniform pricing. The premium rates may be revised with



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more reliable data at the industry level. It will also be useful to apply any subsidy on this cover if the Government decides to do so. The same pool may be used to provide coverage to other members of the population as well such as Senior Citizens, people covering from other diseases, specific communities. . Means through which this can be achieved may be through MMIC Unit of the IAI funded by the Insurance Industry.

Always ready to assist IRDA so as to serve the cause of public interest.

Regards,

**Liyaquat Khan**