

Actuaries consider implications of genetic testing on life insurance

25 October 2017

- **Increase in genetics testing could put stress on insurance sector**

Australia must have a robust debate around the increasing use of genetic testing and its implications for Australia's life insurance industry, two senior actuaries said in an Actuaries Institute 'Dialogue'* paper issued today.

The report states the impact of declining test costs and greater public interest in ancestry and health is driving increased genetic testing.

Consumers who don't disclose their health risks, or those who withdraw from life insurance because genetic tests show they are unlikely to suffer heritable diseases, could destabilise the insurance industry.

The report, *Genetics - A Testing Time for Insurers*, said that even a small rise in the number of genetic tests could lead to significant increases in life insurance claims costs.

"For the life insurance industry, if health information known to the insurance applicant is not disclosed, it may be expected to lead to anti-selection, increasing premiums and ultimately impacting the financial sustainability of the industry," the report said.

"Conversely, if it is known that genetic test information may need to be disclosed for use in underwriting life insurance policies, that may deter people from undertaking a test that could benefit their wellbeing.

"This creates a fundamental tension between the desire for insurance providers to be inclusive and not discriminate between insurance applicants, and the sustainability of insurance companies' business models in the presence of information asymmetry and potential anti-selection," the report said.

This would arise if those who find they have an increased risk of future disease can still obtain life insurance at standard rates, i.e. at a rate lower than their own risk would imply. This is referred to as "anti-selection". Insurers fear premium rates would need to increase to cover the extra insurance claims costs. This extra cost would in turn lead those who have a clean bill of health from the tests to drop out of the life insurance pool. The outcome would be that insurers find themselves with a pool of insured lives that are becoming potentially less healthy, forcing premiums higher.

In the report, the authors Alan Doble and Jessica Chen said it is understandable that consumers may want to undergo genetic tests if those tests can help them make informed decisions about their wellbeing. "Genetic testing has far-reaching implications for society, well beyond that of insurance," Ms Chen said. "It creates the potential for affected individuals to mitigate the risk of inherited disease.

"But there are complex issues for life insurance regarding genetic testing, cover availability and affordability. What needs to be resolved is a good response to the threat that test results may be used in life insurance underwriting and lead to discrimination."

The paper reports on the position in 19 countries, finding that Australia occupies a unique position.



Regulation category	Number of countries	Name of countries
No regulation.	5	China, Finland, India, Spain, United States
No regulation with written or unwritten codes of conduct from insurance industry groups.	2	Greece, Japan
Prohibitions on insurers requiring applicants to take a genetic test and prohibitions on discriminations if the applicant refuses to take a test.	1	Australia
Prohibitions or moratoriums on using results from existing tests when policies are below certain limits.	4	Germany, Netherlands, Switzerland, United Kingdom
Prohibitions or moratoriums on using results from existing tests at all, sometimes including use of family history information.	9	Austria, Belgium, Canada, Denmark, France, Ireland, Poland, Portugal, Singapore
www.genevaassociation.org Research Reports. June 09, 2017 <i>Genetics and Life Insurance – A View Into the Microscope of Regulation</i> .		

Australia abides by an industry code of conduct that prohibits insurers from requiring those applying for life insurance to take a genetic test. It also stops insurers discriminating against an applicant who refuses to take a genetic test. The guidelines, developed by the Financial Services Council, also state that where a consumer has already taken a genetic test, the results must be provided to an insurer if requested.

In nine countries, including Austria, Canada, Belgium, Singapore and Ireland, there are prohibitions or moratoriums on using results from existing tests and these sometimes include the use of family medical histories.

Five countries have no regulation. These are China, Finland, India, Spain and the United States.

In the *Dialogue* paper, Ms Chen and Mr Doble said most Australians can obtain some life insurance cover without disclosing any medical information, typically through superannuation group insurance plans or the simple insurance products direct marketed through television advertising.

“Genetic testing is therefore more likely to have an impact on voluntary retail cover or increased cover sought under group insurance,” the paper said.

Ms Chen said Australia’s position was established after a major public inquiry that reported to the federal Government in 2003. “It is again time for a full review,” Ms Chen said. “The best chance of a good outcome is if all stakeholders come together to work together on the solutions.”

A full copy of *The Dialogue: Genetics - a testing time for insurance?* can be found [here](#).

**The Dialogue is series of thought- leadership papers, written by actuaries, that aim to stimulate discussion on important issues. Opinions expressed are those of the authors and not necessarily those of the Actuaries Institute.*



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