

ST. JOHN'S COLLOQUIUM

JUNE 27-29, 2016



Anti Genetic Discrimination Bills

- At the federal and provincial levels
 - Would make it legal for applicants to withhold relevant information obtained through genetic testing.

Two major flaws

- Undermines one of the essential characteristics necessary for insurance programs to function properly.
- The bills themselves are highly discriminatory.

First Flaw

- Well-run and robust insurance programs usually share seven characteristics. For brevity, we will limit ourselves to the two most relevant to this discussion.
- The first one is the pooling of homogeneous or similar risks, which goes to fairness. The term "discrimination" in the insurance context is misleading and detracts from the core principle, which is that of risk assessment or stratification in order to do the pooling properly. Insurers do not discriminate in a fickle or arbitrary way but rather in a systematic, rigorous manner that is actuarially sound.

First Flaw

- The second characteristic specifies that the loss be *accidental from the insured's viewpoint or outside the control of the beneficiary of the insurance. Moreover, the risk must be a pure one, in that there should not be an expectation of gain.*
- There is a lot in this characteristic including the crucial element of anti-selection if the two parties to the contract are not obligated to share the information they possess.
- Anti-selection is acting on an imbalance of information to the other party's disadvantage and its prevention has been at the foundation of insurance since the beginning because it was quickly recognized that without this condition the whole system would be unworkable.

First Flaw

- There are many examples of actions or even laws that exist for the purpose of avoiding anti-selection such as making the purchase a house subject to an inspection or requiring that the seller of a used car disclose any significant collisions.
- Receiving a bad result from a genetic test would be a strong motivator to acquire more life insurance.

First Flaw

- Under the bill, one would be able to acquire insurance at the same price as the general public and well below its true cost, providing a strong incentive to purchase as much as possible. This would impact the cost of insurance for all other applicants. Indeed, in 2014, the Canadian Institute of Actuaries put out a paper that indicated that the impact of the bill on life insurance premiums would likely be increases in the 30% to 50% range.

Second Flaw – It's Discriminatory

The bills want genetic information to be excluded from the underwriting process. This leads to the following table:

	Bills	Industry
EKG	✓	✓
BCP	✓	✓
Current Health	✓	✓
Smoking Status	✓	✓
Genetic information	✗	✓
Health History	✓	✓
BMI	✓	✓
Blood Pressure	✓	✓

Discrimination

What is special about genetic information?

Nothing. There is no such thing as genetic exceptionalism.

For the industry it's just another piece of information that in the majority of cases will not alter the underwriting decision.

The bills' position is arbitrary and leads to all kinds of unfair treatments.

The following table shows a number of instances where the life insurance application can be declined and the source of the information:

Reason for decline	Source(s)
Alcohol Abuse	BCP, Motor Vehicle Report
Abnormal PSA	BCP
Diabetes	BCP
Abnormal LFT	BCP
Heart Disease	MD report, EKG

Discrimination

Quirky things:

Hemochromatosis :

- Most prevalent genetic disease among Caucasians.
- Inability to eliminate excess iron.
- Overtime leads to highly elevated ferritin count.
- Unknown cause of elevated ferritin count is a decline.
- Genetic test indicating the reason as hemochromatosis leads to standard issue.

Polycystic kidney disease:

- Detected through ultrasounds for decades.
- Can now be detected via genetic testing.
- Why is one okay but not the other?