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Of all the forms of inequality, injustice in health care is the most shocking and inhumane.

- MARTIN LUTHER KING, JR.

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Daily Health Policy Update
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PNHP RESOURCES

Posted on June 3, 2009

Health, life insurers hold billions in tobacco stocks: NEJM article

Harvard researchers say insurers put profits over health

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Embargoed until:

June 3, 2009

5 p.m. EDT

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More than a decade after Harvard researchers first revealed that life and health insurance companies were major investors in tobacco stocks - prompting calls upon them to divest - the insurance industry has yet to kick the habit, they say.

A new article on insurance company holdings, published in today's New England Journal of Medicine, shows that U.S., Canadian and U.K.-based insurance firms hold at least \$4.4 billion of investments in companies whose subsidiaries manufacture cigarettes, cigars, chewing tobacco and related products.

Tobacco products currently contribute to the deaths of 5.4 million people worldwide annually, according to the World Health Organization. Tobacco use is a major risk factor for stroke, heart attack, lung disease and cancer.

"Despite calls upon the insurance industry to get out of the tobacco business by physicians and others, insurers continue to put their profits above people's health," said Dr. J. Wesley Boyd, the lead author of the article. "It's clear their top priority is making money, not safeguarding people's well-being."

To illustrate their point, Boyd and his colleagues point to Newark, N.J.-based Prudential Financial Inc., which sells life insurance and long-term disability coverage. With total tobacco holdings of \$264.3 million, Prudential Financial is a major investor in three tobacco firms, including Reynolds American, whose subsidiary R.J. Reynolds manufactures Camel and Pall Mall cigarettes, and Philip Morris, maker of the popular Marlboro brand.

Sun Life Financial Inc., based in Toronto, sells life, health, disability and long-term care insurance. It also owns slightly over \$1 billion in stock in two tobacco companies, including \$890 million in Philip Morris.

London-based Prudential Plc, which offers health, disability, and long-term care insurance, has holdings of \$1.38 billion in two tobacco companies, including British American Tobacco, which markets Kent and Lucky Strike cigarettes.

The researchers also itemize the substantial tobacco holdings of Northwestern Mutual of Milwaukee and Massachusetts Mutual Life of Springfield, Mass., along with those of Standard Life Plc, a health and life insurer based in Edinburgh, Scotland. (See table; all data current as of March 26.)

Boyd and his co-authors, Drs. David Himmelstein and Steffie Woolhandler at the Cambridge Health Alliance and Harvard Medical School, culled their data from Osiris, a proprietary database of industrial, banking and insurance companies. Osiris draws upon Securities and Exchange Commission filings and news reports from providers like Dow Jones and Reuters.

"Although investing in tobacco while selling life or health insurance may seem self-defeating," the authors write, "insurance firms have figured out ways to profit from both. Insurers exclude smokers from coverage or, more commonly, charge them higher premiums. Insurers profit - and smokers lose - twice over."

The same researchers, all of whom are affiliated with Physicians for a National Health Program, first published data about the "tobacco-insurance company connection" in 1995 in the medical journal Lancet. They say that because private, for-profit insurers have repeatedly put their own financial gain over the public's health, readers in the United States, Canada and the United Kingdom should be wary about insurance firms' participation in care.

They add, "These data raise a red flag about the prospects of opening up vast new markets for private insurers at public expense, as has happened in our state of Massachusetts, whose recent health care reform is often cited as a model for national reform."

Insurance Company	Reynolds American	Imperial Tobacco	British American Tobacco	Lorillard	Philip Morris	Total
In millions of dollars						
Prudential PLC		513.2	871.4			1,384.6
Prudential Financial	69.4			8.8	186.1	264.3
Mass Mutual	17.3			155.4	412.6	585.3
New York Life	13.0			0		13.0
Northwestern Mutual	22.8			10.8	202.2	235.8
Standard Life		307.0	641.2			948.2
Sun Life				125.7	889.9	1,015.6
Total	122.5	820.2	1,512.6	300.7	1,690.8	4,446.8

Download table: <http://pnhp.org/tobacco/Insurance-Company-Tobacco-Investments.doc>

Copies of the study are available at http://pnhp.org/tobacco/tobacco_article.pdf

"Insurance industry investments in tobacco," J. Wesley Boyd, M.D., Ph.D.; David U. Himmelstein, M.D.; Steffie Woolhandler, M.D., M.P.H. New England Journal of Medicine, June 4, 2009.

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