

# A Life Insurance Deterrent to the Spread of HIV and AIDS in Africa

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## **Abstract**

The spread of HIV and AIDS and risky sexual behavior continues to be a problem in many African countries despite government measures to educate people on the prevalence and severity of the disease and measures to promote safe sex practices such as making condoms readily available at reduced or no cost. Interview evidence has suggested that people continue to engage in risky sexual behavior because many other conditions exist in these countries that significantly reduce life expectancy. These include other unpreventable health risks, inaccessibility to health care, and dangerous working conditions such as those in very poor mining regions. We suggest that using government funds to offer life insurance may be a more effective means of deterring risky sexual behavior than funding safe sex programs. To evaluate this policy prescription we develop and calibrate an overlapping generations model with bequest motive and endogenous probability of demise. In the model, agents can receive life insurance benefits if their death is not the result of AIDS.

*Keywords:* HIV, AIDS, life insurance, overlapping generations.

*JEL classification:* H51, I18, I38.