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# Viatical Firm's Stock Hit Hard

**Carl T. Hall, Chronicle Staff Writer Published 4:00 am, Thursday, July 18, 1996**

Dignity Partners Inc., a financial-services company for the terminally ill, was reduced to financial rubble yesterday by fear -- yes, fear -- that a cure for AIDS has been found.

The San Francisco company's stock collapsed to 1 3/8, down 4 11/16, following its announcement late Tuesday that it will suspend its main business -- the purchase of life insurance policies from people with AIDS.

The stock's decline underscored the seemingly perverse market repercussions stemming from a shift in the conventional medical wisdom about

## AIDS.

Dignity Partners, one of the best- known players in the burgeoning "viatical settlements" business, said its medical experts needed time to digest results of last week's AIDS scientific meeting in Vancouver, where doctors reported encouraging results combating the disease with new combination-drug therapies and DNA diagnostics.

Fueled mostly by the AIDS epidemic, viatical settlements allow people with a terminal disease to cash out their life insurance policies, typically for about 70 percent of their face value. Financiers are paid off when the person dies.

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Other companies said they had no intention of backing out of the business, choosing instead to tighten underwriting practices. At the same time, investors are demanding a higher return to account for the added risk that patients may live longer.

Ken Klein, president of National Capital Benefits Corp. in New York, said the going rate for life insurance policies in AIDS cases has declined about 5 percent during the past month or two. That means a person might get only $65,000 instead of $70,000 on a policy with a $100,000 death benefit.

Outside the financial-services industry, some companies that make drugs to treat AIDS-related illnesses also have been buffeted recently.

Shares in Foster City-based Gilead Sciences, which makes a drug used to treat a common opportunistic infection in AIDS cases, closed at 18 3/4 yesterday, a gain for the day of 1 3/8 but down from 39 in May. Some analysts cited concerns that advances on AIDS could spell fewer customers for Gilead.

But most physicians emphasize that nothing remotely resembling a "cure" has been found. Although newly approved protease inhibitor AIDS drugs seem to be working remarkably well, doctors say it's too soon to predict long-term results.

"There are going to be individuals, sadly, who won't benefit," said Dr. Mervyn Silverman, a veteran San Francisco AIDS specialist who also serves as vice president of medical affairs for Minneapolis-based Viaticare Financial Services.

That firm, one of the biggest in the viatical-services business, said yesterday that it began taking steps months ago to adjust underwriting procedures to take recent medical advances into account.

"Before, AIDS was looked at as a blanket death sentence," said Paul Moe, president of Viaticare.

Executives at Dignity Partners yesterday had not returned telephone calls since issuing the unexpected announcement on Tuesday.

Some industry observers praised the company's action, noting the medical issues are complicated and may take a while to sort out.

"It was a prudent move," said Carole Fiedler, principal of Fiedler Financial in Sausalito, a brokerage that represents terminally ill people seeking cash for their insurance policies.

But others maintained that the suspension was an overreaction. Some of Dignity's competitors vowed to continue buying up life insurance policies -- although cash values may not be as generous for AIDS patients as they used to be. "We've sharpened our pencil," said Cale "Kit" Carson, president of Life Benefactors, based in San Diego. "We will keep a very tight eye on underwriting. Things are changing in the AIDS arena so we will be very careful in choosing which policies we buy. But we will not stop buying AIDS policies."