



CMI Assurances Committee:

Results of survey of data contributors and other stakeholders

Background

We released [Working Paper 108](#) in June; this describes the interim “all offices” experience of term assurances in the years 2011-2015. Section 9 of the paper set out our thinking on future work and we were keen to receive the views of data contributors and other stakeholders to help guide our approach and prioritisation. Consequently we asked the life insurers, reinsurers and consultancies that subscribe to the CMI, and have an interest in this area, to complete a short survey.

The Secretariat received sixteen responses in total; ten from direct writers and six from reinsurers. The Committee was pleased with the level of responses, which provides us with valuable input into our future direction. **We would like to thank the individuals and firms that completed this survey.**

An anonymised summary has now been considered by the Committee. This document summarises the responses and sets out our updated plans regarding future work.

Current use of the “08” tables

We released the final “08” Series accelerated critical illness and term mortality tables alongside [Working Paper 94](#) in January 2017. We were interested to understand their use, but no longer have visibility of their use for statutory financial reporting via published PRA Returns. We asked:

For term assurances:

Q1a: Are you using the “08” tables for calculating best estimate liabilities under Solvency II?

Three direct writers are using the “08” tables for this purpose; the other thirteen respondents said “No”.

Q1b: Are you using the “08” tables for setting assumptions used in pricing?

Two of the respondents are using the tables in pricing.

Q1c: If “Yes” to either or both of the above, please describe briefly the nature of any adjustments you are applying to the tables.

A variety of adjustments are applied.

Q1d: If “No”, please let us know which tables you do use and provide a brief explanation of the key reason(s) that you are not using the “08” Series tables.

All six reinsurers use bespoke internal tables; most state that this is due to more confidence in their internally derived tables along with the availability of more granular data.

The direct writers use a range of older CMI tables, mainly “92” and “00” series for mortality, although five state an intention to adopt the “08” tables in the future. Another notes that they are not intending to change due to an immaterial difference in outcome for their portfolio.

Unsurprisingly, it takes time for new CMI tables to be used in practice but we are pleased that the “08” tables are being considered by a number of insurers.

We also asked about other products:

Q1e: For stand-alone critical illness, what tables are you using for calculating best estimate liabilities under Solvency II?

Seven respondents (including all six reinsurers) use bespoke internal tables. The rest of the respondents gave a mix of answers including IC94, AC08, AC04, various CMI mortality tables and reinsurance rates.

Q1f: For mortality whole life assurances, what tables are you using for calculating best estimate liabilities under Solvency II?

All six reinsurers use internal bespoke tables for both underwritten and non-underwritten whole life.

Of the other respondents, the majority use the older "00" tables for both underwritten and non-underwritten whole life.

Adjustments to results for recent trends

Historically, the CMI has issued term assurance experience against a base table that has not been adjusted for trends since the effective date of the base tables. We sought views on adding an additional set of results with a trend adjustment for mortality but proposed not to do so for critical illness. Specifically, we sought views on:

Q2a: Do you think it would be useful if we adjust mortality assurances results for recent trends?

Thirteen respondents thought that this would be useful; three did not.

Q2b: If "Yes", would you support us using the CMI Mortality Projections Model, and what particular adjustments do you think are needed (if any), or how would you suggest we adjust results?

All of the thirteen positive responses to question Q2a agreed with the use of the CMI Model. Eight suggested adjustments; these were diverse, the only common theme being to reduce the dominance of older lives, to make the Model more relevant to protection ages.

Q2c: We do not intend making trend adjustments to critical illness results while there is no commonly used table. Do you support this?

All sixteen respondents supported this.

Q2d: If "No", do you have suggestions for adjusting critical illness results?

This was not relevant.

Since issuing the survey, we have released [Working Paper 110](#) which sets out areas that should be considered when using the CMI Model and its core assumptions in the context of protection portfolios. This makes clear that it is not straightforward to adapt the CMI Model to protection. As noted in Working Paper 110, we would welcome feedback, preferably by 31 December 2018, to help us determine whether we undertake further work in this area.

The survey indicated strong support for issuing future term mortality results with an allowance for trends and also for using the CMI Model as the basis for the trend adjustment. We therefore propose to issue future term mortality results with an allowance for trends (as well as without) using the CMI Model. In this context, we will be using smoothed past improvements only – not making future projections – so we propose to use the Core version of the Model without adjustment; initially, at least.

The survey supported our intention not to adjust critical illness results for trends in the near future.

Future term assurances data collection and late reporting issues

We released interim results for 2011-15 alongside Working Paper 108 and were hoping to obtain additional data from offices by 30 September 2018 so we could release final 2011-2017 results early in 2019. Thereafter, we are keen to resume annual reporting of experience for mortality and critical illness. With regular annual reporting, issues of late claim reporting and settlement development will occur each year so we were interested in views on potential approaches to the issue of late reporting. We set out a number of possible approaches including our preferred option; of:

- making a company/product specific adjustment to the data using Incurred But Not Settled (or Reported) factors supplied by each of the data contributors.

- re-issuing each set of annual results once (only) with updated claims data replacing the IBNS/IBNR adjustment.

We asked data contributors (only):

Q3a: What cut-off date(s) do you ordinarily use for internal experience analysis of mortality and critical illness experience under term assurances?

Eight data contributors responded to this question. A variety of cut-off dates were noted; March being the most prevalent.

Q3b: Would you expect to be able to submit term assurances data by our proposed target date for data submissions of 31 August, based on a cut-off date for data no later than 30 June, each year? If “No”, please indicate the date by which you would expect to be able to regularly submit data

All eight respondents indicated this should be feasible.

Q3c: Would you be willing to supply your IBNS factors alongside your data submission?

Six respondents said “Yes” but two indicated they would not.

Q3d: If “Yes”, would you be willing for these factors to be disclosed (on an unattributed basis)?

Four of these six data contributors said they would be happy for these to be disclosed.

Q3e: If we are unable to reach a critical number of company-specific IBNS factors would you still like us to report the results with a uniform IBNS adjustment?

Seven of the eight said “Yes”.

In respect of future data submissions, the responses suggest that it should be feasible to collect data submissions by our proposed target date of 31 August.

The data contributors that indicated they would supply their IBNS factors included most of the large contributors, so it appears that we will be able to incorporate their results with their adjustment, which we then unwind the following year.

Unfortunately, progress to date with data collection this year has been slower than we hoped. We are now contacting data contributors to try to encourage prompt submission.

Collection of socio-economic measures

To carry out investigations by socio-economic status we indicated that we intend to add additional fields to our data requirements to capture some socio-economic information for each life; based on the Index of Multiple Deprivation (IMD). We asked data contributors (only):

Q4a: Do you support the addition of socio-economic based analysis in the CMI results?

Eight data contributors responded to this question; all said “Yes”.

Q4b: In principle, will you be willing to map your data to the socio-economic indicators if we provide a simple mapping tool?

All eight said “Yes”.

These responses were highly encouraging!

Since issuing the survey, the CMI has issued the first version of the “CMI postcode mapping tool” that we intend to update annually. This is available [alongside the data requirements documents](#) on the CMI pages of the IFoA website. We will liaise with data contributors to seek this field in future submissions.

Future analyses

Our priorities are to issue final “all offices” experience of term assurances, for the years 2011-2017 and to then resume regular annual reporting. However we also sought views on other analyses the Committee should carry out. We set out suggestions and asked respondents to rank the value and priority of these; we also invited suggestions for other analyses that respondents considered would be of greater value.

Most responses scored the most valuable analyses as also being the highest priority (and vice versa), hence we focus on the value here. Out of a maximum possible score of 3 (if all respondents rated a proposed analysis as high value), the score of each was:

Analysis of experience by cause of claim	2.3
Guaranteed acceptance whole of life assurances	2.1
Persistency analysis	2.1
Underwritten whole of life business	2.0
New graduated term assurance tables	1.8
GLM analysis of the dataset	1.7
Population critical illness tables	1.7
Analysis of experience of rated lives	1.7
Stand-alone critical illness tables	1.3
Analysis of declined claims	1.1

Only one additional suggestion was received, requesting work on mortality improvements and trend assumptions for assurances.

We will look to progress the first four initiatives over the coming year but – as they would all require requests for data – we cannot yet commit to particular timescales. In particular:

- **Cause of claim is already an optional field in our data requirements so we will try to explore with the larger data contributors (initially) what data they collect and could, potentially, submit to enable pooled analysis. Encouragingly, the largest data contributors all rated this as high or medium value; indicating some appetite to support this.**
- **We propose seeking data for both underwritten and guaranteed acceptance whole of life policies together, so that we can compare the experience of these. We will focus on mortality, but will also gauge the appetite and data volumes for critical illness business. We envisage undertaking this as a one-off exercise – perhaps seeking data for 2011-2017 – rather than an ongoing, annual data collection exercise.**
- **Although persistency analysis scored well overall, with several respondents seeking analysis of long-term rates in particular, this attracted mixed scores from the largest data contributors which may make it challenging to collect material data volumes. We will seek their views on whether they would submit data for this purpose and assess the feasibility of extending our analyses to encompass persistency.**

Analysis of declined claims appeared to lack demand, so this will be discounted from our work plans, at least for the near future. Other areas all attracted some support, so we will consider whether and when we progress each of these.

As noted earlier, we would welcome feedback on Working Paper 110 to help us to consider whether we should seek to do more with regard to the use of the CMI Model in the context of protection portfolios.

Finally, we would like to reiterate our thanks to all those who responded to the survey and to invite any further feedback on any aspect of our work to be sent to assurances@cmilimited.co.uk.