



## Income Protection Committee

### Summary of Working Paper 96: “All offices” individual Income Protection sickness experience for the 2007-2010 quadrennium

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#### Introduction

This document provides a brief synopsis of Working Paper 96, which describes the “All offices” experience of individual Income Protection (IP) policies in the 2007-2010 quadrennium. For more detail, readers are encouraged to refer to the full Working Paper<sup>1</sup>.

#### The data

The IP data received by the CMI consists of a record for each in force policy, in respect of each calendar year end, and a record for each sickness claim (at policy level) which is in force during an investigation year. All records contain fields describing the attributes of each policy and the policyholder, and claim records contain additional fields relating to the duration and other features of the claim.

For the main analysis, non-UK policies, policies with special benefit types (such as lump sums), and policies with identifiable underwriting exclusions are all excluded. For investigation years 1991 onwards, the claim inceptions and terminations experience has been analysed by:

- Year (or quadrennium: 1991-94, 1995-98, 1999-2002, 2003-06 and 2007-10);
- Sex: male and female;
- Deferred period (DP): 1, 4, 13, 26 and 52 weeks;
- CMI occupation class (OC): classes 1, 2, 3, 4 and unknown;
- Age (at commencement of sickness); and
- Duration sick.

#### Methodology

The results compare actual claim inceptions and terminations, by recovery and death, with those expected using the IPM 1991-98 basis. An overview of these graduations – which reflect the experience in 1991-1998 of male lives in CMI occupation class 1 – is presented in Working Paper 48. The analyses use the multiple-state model for IP business, as described initially in CMI Report No. 12, with calculation methodology as set out in Working Paper 59. Results are shown excluding duplicates; for inceptions, the ex-duplicates exposed-to-risk can only be estimated by scaling down the cum-duplicates values. See Sections 2.5 and 3.4 of Working Paper 59 for further details.

The 2007-2010 quadrennium results are largely a “sum” of those previously issued for each individual year, subject to minor data amendments and some additional data for 2009. While there has been a significant core of offices contributing data each year, the mix of offices does differ from year to year. Caution should be exercised when comparing results with previous quadrennia – there is considerable variation of experience between offices and the combined results can be influenced by changes in the mix of offices contributing from year to year; other factors may also mask any trends in

<sup>1</sup> Most of the CMI’s research is only available to employees of subscribers and to researchers, for non-commercial use. Details of how to access the full paper and the CMI’s other research can be found on the [CMI’s web pages](#).



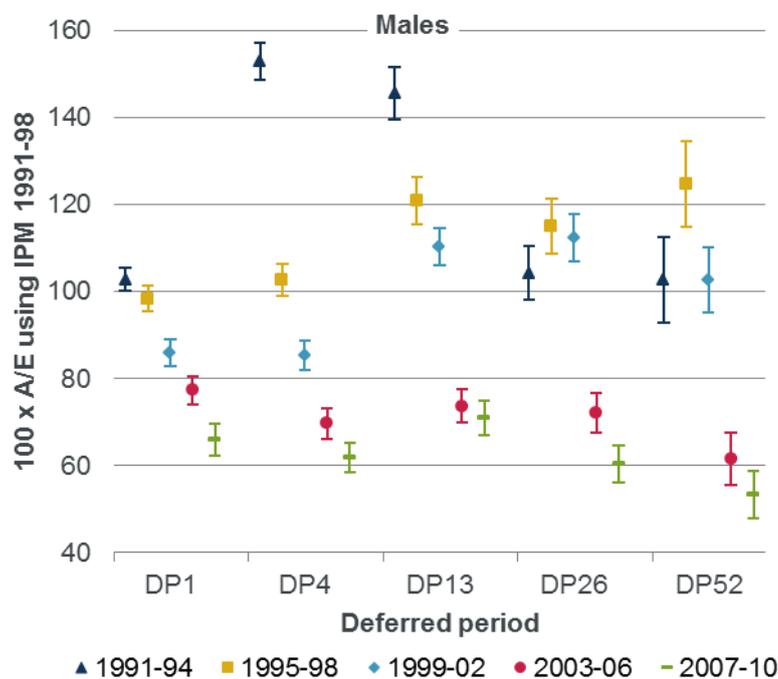
the underlying morbidity experience, for example changes to underwriting practices and claims management procedures.

### Claim inceptions experience

For both males and females, claim inceptions experience in 2007-2010 was generally lighter than in previous quadrennia. This continues a downward trend and is the case for the majority of deferred periods and occupation classes.

Chart 1 displays experience by deferred period and quadrennium for males in all occupation classes combined. It also shows approximate 95% confidence intervals from which significant variation can be judged.

**Chart 1: Claim inceptions experience (100 A/E) by quadrennium and deferred period; males; 1991-2010; all occupation classes combined**



*“...lower inception rates for DP1, DP4 and DP26 in 2007-2010 compared with 2003-2006 are statistically significant...”*

For males, at an all-occupation classes level, the lower inception rates for DP1, DP4 and DP26 in 2007-2010 compared with 2003-2006 are statistically significant and – for all deferred periods – continue the downward trend. The recent experiences of the remaining deferred periods are not significantly different from 2003-2006, but in each case are significantly lower than experience pre-2003. Results for females, where the trend is similar, are included in the Working Paper.

The Working Paper also includes corresponding analysis of the experience in each of the individual years 2007 to 2010. At an all-occupation classes level, inceptions experience in 2010 was lighter than in 2009 without exception, although rarely was the difference statistically significant. However, a general downward trend over the period is apparent, and corroborated by the difference between 2007 and 2010 being statistically significant in more cases. This suggests that the trend was persistent and genuine.

Results split by occupation class are most credible for occupation class 1 which comprises around half of the total in force data and closer to two-thirds of the claims (due to the higher concentration of DP1 policies). On the whole, inceptions experience is lighter for occupation class 1 than all occupation classes combined, the exception being DP52. The trends for occupation class 1 are also similar to those for all occupation classes combined.



### Claimant recovery experience

Claimant recovery rates in 2007-2010 did not differ significantly from 2003-2006. Male experience in occupation class 1 generally deteriorated slightly in 2007-2010, except for DP52 business. There was a little more variation in the other occupation classes. For females, the trend of improving experience since 1999-2002 continued, except for DP1 business.

### Claimant mortality experience

Data for claimant deaths is generally sparse and observation confidence intervals are consequently large, particularly for females and occupation classes other than class 1. For both males and females at an all-occupation classes level, mortality rates increased in 2007-2010 compared with 2003-2006, for all deferred periods except DP1 males, as they had done between 1999-2002 and 2003-2006. The ratio of claimant mortality rates for females was 87% of that for males in 2007-2010, a figure which has narrowed over time.

### Experience by cause of sickness

The drivers behind the overall experience were considered (for 1991-2009) in Working Paper 72. Working Paper 96 extends some of that analysis to incorporate data from the complete 2007-2010 quadrennium. An overview is provided in the paper; interested practitioners can perform their own, more detailed analyses using an accompanying database of experience which has also been released.

### Data collection and further work

The 2007-2010 "All offices" results have been released later than we would wish. Given the many changes and challenges facing the industry in recent years, it is understandable that provision of data to the CMI has not been near the top of the agenda. In order to catch up, we are aiming to complete the collection of all outstanding data in one batch from each data contributor.

We issued an updated data coding guide in 2009 but few offices have adopted this to date. Feedback has suggested that the requirements were not over-ambitious in the data fields requested, although offices would welcome greater flexibility in data formatting. In the short term, we are therefore happy to accept data in the format that is easiest for each office to supply, subject to submissions containing essential fields.

We are also aware that offices' occupation class definitions are likely to have changed as market practices have shifted. This leads to a risk that some offices may have (perhaps unintentionally) altered the classification of data provided to the CMI over time, while others have continued to provide data coded according to the CMI's classifications. We are keen to ensure that data collected is accurate and fit for purpose, and will be looking to discuss this with data contributors.

Following the release of Working Paper 96 and its accompanying outputs, the IP Committee is completing its analysis of experience by factors not included in standard results and considering graduations of the recent data.

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