The introduction of mortality investigation of China's Life insurance industry

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History and development of mainland China's mortality investigation

There were two nation-wide mortality investigations based upon assured lives experience in mainland China. The first one lasted for nearly four years from year 1992 to year 1995 and ended up with the construction of the first standard life table of mainland China, China Life Table (1990-1993). This table was dictated by China's insurance regulatory authority as the basis of the pricing of life insurance products and the evaluation of their statutory reserve. The second one was finished on November, 2005, and constructed China Life Table (2000-2003), the second standard life table based on assured lives. China Life Table (2000-2003) was dictated by China's insurance regulatory authority as the basis of evaluation of statutory reserve, but not the pricing; life insurers were allowed to pricing their products with their own experience data. Based on the first two mortality investigations mentioned above, the industry makes it a rule to make a mortality investigation every ten years.

The investigations into mortality were all organized by China's insurance regulatory authority before year 2007. Then China Association of Actuaries (CAA) took over the responsibility of the mortality investigations after its foundation in 2007. Accordingly, Mortality Investigation Office (MIO) was established under CAA on 2011-7-18.

Profile of MIO

MIO is a standing office under CAA. Currently its members include the specialists of experience analysis from China Insurance Regulatory Commission (CIRC), China-Re Life and 6 other major players in China's life insurance market. For each project of MIO, the office coordinates the members of CAA from different insurance companies and two full-time staffs deal with the daily works.

The major duties of MIO include investigating into the experience data, preparing and amending standard life tables and morbidity tables, publishing relevant working paper, issuing related journals and organizing relevant seminars. MIO major operations are specified as follows:

- Investigating into mortality and morbidity

MIO is responsible for the periodic investigations into mortality (life and annuity), morbidity for critical illness and the incident rate of accidental death; related standard tables are also prepared.

- Undertaking relevant researches

✓ Organizing the academic exchange on methods, techniques and practices of data analysis, periodically or ad hoc.
✓ Working with other organizations on the projects covering demographic statistics, medical investigation, investment data analysis and macro-economics data analysis with the special skills as an actuarial institute.
✓ Publishing relevant research findings, working papers, journals and books; translating relevant foreign publications as well.
✓ Providing the platform to share information and findings with periodical meetings, website and other media resources.

- International exchange

MIO is trying to connect with similar international working groups to strengthen academic exchange.

Current projects of MIO

MIO is preparing the standard table of critical illness morbidity nowadays.

- The background of the project

Recently China's life insurance industry is focusing on the restructure of the product line and reaches a consensus to promote protection products. In China, as well as some other countries, critical illness products are the most important business line among protection products. The critical illness provisions in China today are on their way to be well specified; however, there is still no standard morbidity table for pricing and evaluation. MIO is preparing this table now.

- The goal of the project includes:

✓ Investigating into the morbidity experience of critical illness products with acceleration basis and stand-alone basis
✓ Constructing the morbidity tables for acceleration critical illness and stand-alone critical illness; these tables will be used for pricing and evaluating statutory reserves
✓ Issuing the final report of the project

- Steps of the project

✓ Establish the task force
✓ Define the strategy of the project
✓ Pre-research and preparation

- ✓ Define the feature and the dimensionality of the tables and standards for data
- ✓ Data collection and verification
- ✓ Constructing the standard tables
- ✓ Collecting feedbacks, opinions and questions
- ✓ Publishing the final tables

- The progress today

The project was launched on October, 2011 and from then on several meetings were held to discuss the organization, participants, data, relevant techniques, time table, budget and so on. Today, the project is at its stage of pre-research. The first five steps are expected to be finished before June, 2012 and then the sixth steps to be finished before January, 2013. The whole project will ends by May, 2013.

Besides the critical illness morbidity investigation~~s~~ introduced above, MIO also contributes but not limited to the following topics:

- Lapse rate experience analysis, experience study on days of hospitalization stays, frequency of outpatient treatment, expense analysis and investment analysis.
- The research on constructing of the table of disability by employment injury ~~a~~nd the table of LTC.
- The experience study of short term accident policies on their morbidity or loss ratio.