IAA MWG LA. UK Mortality News no 10: to May 2012

This is a summary, for the IAA Mortality Working Group, and any interested parties in the UK, of UK mortality news (and a few international items for interest) from the past six months or so. With thanks to a variety of people, including: Sarah Matheson, Myer Glickman, Dermot Grenham, Madhavi Bajecal, Sally Grover, Carol Jagger, Dave Grimshaw, Stephen Richards.

World
Estimates the cost to the UK economy as £750bn and to the Eurozone €4.6 trillion by 2050 if the average lifespan in the UK rises by 3 years more than predicted.

Mortality by geographic location and socio-demographic classification
http://bmjopen.bmj.com/content/early/2011/07/29/bmjopen-2011-000128.full

CEPAR launches new website (not UK news, but still interesting): The newly established ARC Centre of Excellence in Population Ageing Research (CEPAR) has just launched its new website
www.cepar.edu.au

UK Population and Politics
Mortality Improvements: The 2010-based Office of National Statistics (ONS) population projections showed faster mortality improvements. The gap between Socio-economic Groups is narrowing in absolute terms, but relative inequalities are increasing. The widening rate ratios is not just an arithmetic property of rate ratios as levels decline; despite much lower base mortality levels, the annual pace of fall is faster in Managerial/professional Group than in routine occupations.

Intercensal Mortality Rates by NS-SEC, 2001-2010

Life expectancy at birth and at age 65 by local areas in the United Kingdom, 2004–06 to 2008–10

Improved mortality rates lead to 20,000 fewer deaths in 2011

State Pension Age
In his Budget in March 2012, the chancellor announced that an automatic review of the state
pension age (SPA) would be introduced to take account of increases in longevity. Details of how this will be done will be published later.

The Guardian stated that government has already announced increases in the SPA to age 66 by October 2020 and 67 by 2028, but this move could herald even longer working lives to 70 and beyond, and that insurer MGM Advantage has calculated that the SPA could increase to 69 by 2031, and to 73 if there are further improvements in longevity between 2031 and 2051.

http://www.moneymarketing.co.uk/home/budget-2012/budget-12-state-pension-to-be-linked-to-life-expectancy/1048401.article

UK Official statistics on the total obligations, or gross liabilities, of UK pension providers

The Office for National Statistics has presented its first set of official statistics on the total obligations, or gross liabilities, of UK pension providers including the UK government. These total pension obligations are also the total pension entitlements of UK households. The article presents breakdowns for private sector pensions, workplace pensions for which the government is responsible (funded and unfunded) and state pensions, and is based on 2010. At the end of 2010, the total accrued-to-date pension obligations of all UK pension providers were estimated at £7.1 trillion, nearly five times the UK’s Gross Domestic Product (GDP). The total comprised £5.0 trillion of government obligations and £2.1 trillion of private sector obligations.

It is currently expected that all EU countries will be required to produce a similar table on pensions for the year 2012 onwards. The 2010 table is produced on a voluntary basis and the UK is the first EU country to publish it.


Life insurance and Pensions

Gender Neutral insurance pricing

The UK is committed to introduce Gender Neutral insurance pricing by 22 December 2012.

A note on the Actuarial Profession’s input to the Treasury on Gender Neutral insurance pricing is here:


For long-term business the main areas for impact are considered to be term assurance and annuities.

“We expect the impact on the term-life market to be limited. (My extracts) The current spread of prices across providers of term assurance products is probably wider than the difference that we would expect unisex pricing to bring. In addition, the high proportion of joint life policies will also dampen the impact…. …we note that the change to genderneutral premiums occurs at almost the same time as the removal of protection business from the I-E tax regime. This is expected to increase the price for Term Life Insurance and Accelerated Critical Illness policies by around 10%; which may create more market distortion than the move to genderneutral pricing”.

“The implications for annuities are less clear. …potential uncertainty regarding the treatment of annuities purchased by trustees of occupational pension schemes. These are subject to pensions legislation and hence may fall outside the scope of the current legislation… …could alter behaviours at retirement, as well-advised individuals seek better annuity rates.”
Financial Markets
Longevity indices launched by the LLMA
The Life & Longevity Markets Association: http://www.llma.org has launched its own set of four longevity indices. The LLMA Longevity Indices are designed to be used as a global reference for the transfer of longevity risk from hedgers to investors and other counterparties, and to act as a robust reference for longevity and mortality contracts between counterparties. The four Indices cover England and Wales, Germany, the Netherlands and the USA.

Actuarial Events and Publications
New Longevity Bulletin: Variation in longevity
Bulletin no 3 has just been issued and the focus article discusses causes for changes in mortality levels over time and implications for future changes. http://www.actuaries.org.uk/research-and-resources/pages/longevity-bulletin

Emerging trends in mortality and longevity Symposium
This symposium was held in Warwick in September 2011 and provided fascinating insights from outside as well as within the actuarial profession. Most of the presentations can be found by clicking on the appropriate line on the page: http://www.actuaries.org.uk/events/conference-paper-archive/2011 and some of the papers can be found by searching the UK actuarial website www.actuaries.org.uk for the words: "mortality longevity Warwick"

Mortality and Longevity. A practical all-day seminar will be held in London on 12 June 2012. Details from here: http://www.actuaries.org.uk/events/one-day/mortality-and-longevity-seminar-0

Annuity underwriting in the United Kingdom. I have written a note on this subject for the IAA MWG. I’ll be happy to pass it on to anyone who is interested, or who would be willing to comment and improve on it. Please email me at: br@ridsdales.com

Research Projects funded by the UK Actuarial profession
The UK actuarial profession is funding three mortality projects that are due to report later this year. It is hoped that each of them will feature in a series of small events that the Mortality Research Steering Group is planning over the coming two years. The projects are:

- Heriot-Watt University  Mortality Models for Multiple Populations using Covariates
- Kings College London  Genetic risk profiling for common diseases
- University of Southampton Bayesian Modelling of Mortality Projections Uncertainty.
Continuous Mortality Investigation news
The CMI has made progress in a variety of areas: Mortality projections – additions to the library and issue of a revised version of the CMI Tables program, STP; Life office mortality Working Papers published; Critical illness; Income protection and Self-administered pension schemes (SAPS) mortality. For details see: www.actuaries.org.uk/cmi

Mortality Experience by Industry Classification of Pensioners of Self-Administered Pension Schemes
Hot off the press is an Investigation into the Mortality Experience by Industry Classification of Pensioners of Self-Administered Pension Schemes. Additionally, the paper seeks to provide practitioners with information regarding the variability of experience within industry groups by constructing confidence intervals and box and whisker graphs. Details are in CMI Working Paper 61, here: http://www.actuaries.org.uk/research-and-resources/documents/cmi-working-paper-61-investigation-mortality-experience-industry-cl

Other
News and papers from a seminar on stochastic projection models for longevity risk and a follow-up seminar on specific aspects of ICAs and Solvency II, both from Longevitas: http://www.longevitas.co.uk/site/informationmatrix/seminaronstochasticprojectionmodels.html

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IAA MWG UK Review

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24 May 2012, LA
UK Population and Politics

- **Mortality Improvements**: The 2010-based Office of National Statistics (ONS) population projections showed faster mortality improvements.

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Emerging Trends in Mortality and Longevity Symposium, 13 - 14 September 2011

• B02: Comparison of cause of death trends across US, UK, France and Spain
• B03: Life insurance underwriting in the United States - yesterday, today and tomorrow
• D03: Evidence, underwriting and mortality
• D02: Trends in mortality differences between Northern Ireland and the Republic of Ireland in the 20th Century
• C02: Modelling mortality and smoking prevalence in developed countries
• Plenary 2 Mortality trends in recent decades in Eastern and Western Europe: contrasts, correlates and consequences
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• A03: Is the loss of gender as a rating factor a major step backwards in risk assessment?
• A02: Uncertainty in modelling mortality
• A01: Overview of known patterns and trends in longevity
• B01: Examining disease based incidence and mortality rates within the UK
• D01: From fast food to fast runners: changing mix, clouding conclusions
• Plenary 1 International trends in mortality and longevity
• C03: Survival extension from advances in cancer treatment: realised benefits and future promise
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