



Actuarial Mortality Assumptions

The ABI's response to the BAS's discussion paper

Introduction

1. The Association of British Insurers (ABI) represents nearly 400 member companies, which between them provide 91% of the UK's domestic insurance. It works on behalf of the UK insurance industry to keep standards high and to make the insurance industry's voice heard.
2. The ABI is grateful for the opportunity to respond to the Board for Actuarial Standards' (BAS's) *Actuarial Mortality Assumptions: Discussion Paper*.

ABI comments

3. We note that the BAS aims to explain the complex issues involved with mortality and to discuss the part that technical actuarial standards might play in the overall regulatory framework. Accordingly, the discussion paper naturally is discursive and covers a number of general principles. However, we would like any standard on mortality, though not prescriptive overall, to be tightly focused, particularly on the need for users to understand where and why outlier methodologies are used. We therefore consider that there is scope for the BAS to set minimum standards and disclosure requirements.
4. We note further that the discussion paper seems to be focused on annuitant mortality whereas we think that a full standard on mortality should also consider the assumptions appropriate for mortality effects of catastrophes (eg avian flu). Further, we suggest that the conclusions of the paper could be highlighted as being relevant to morbidity and persistency assumptions as well to longevity.
5. We recognise that the estimation of future mortality improvements is particularly subjective, and that this precludes BAS from setting boundaries for mortality rates. We suggest that this difficulty also may preclude the BAS from giving extra credence to any particular basis. Further, it may be inappropriate for the BAS's standards to, for example, disallow mortality improvements that tail off if a justification for such a basis can be provided.
6. Lastly, we remain concerned that the role of the BAS is unclear. It is important to ensure that there is clarity on the relationship of BAS standards with rules set by FSA and the Pensions Regulator (who may be better placed, for example to set benchmarks), and under Solvency II. Equally, we are not clear on how the BAS sees standards in the context of financial reporting, particularly at the international level. We would be concerned if the BAS's standards, on mortality or anything else, were to result in UK insurers in any way being disadvantaged compared with other

insurers not subject to its standards. The wider context, of actuarial practice internationally, needs to be taken into account by the BAS in taking its proposals further.

Association of British Insurers
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