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Sent: 22 May 2008 15:19
Subject: DP - Actuarial Mortality

Dear Louise

DP - Actuarial Mortality Assumptions

I worry about the introduction of definitions of:

*Period mortality and
Cohort mortality.*

It will be much clearer to readers, whether actuaries or not, if we did not introduce more jargon. I think the former should be replaced by:

Point of time mortality

Better still if almost always it is associated with the word 'assumption'.

I struggle to find a simple wording to replace the latter. Maybe it has to be:

Mortality (assumptions) varying by year of birth.

My words are longer but they should be simpler to understand and do not introduce new jargon.

The first dot point in 1.5 is very important. It may need to be stressed when you get into the details in Section 6. Thus 6.36 seems to imply only improvement assumptions. 6.22 seems to hide rather than bring out, the factors that could worsen mortality. Life style (say leading to obesity) is mentioned but not broader factors such as global warming or pandemics.

In 4.4 it might be helpful to expand on, say, Solvency II where any margin is to be shown separately as a capital item. In all cases I think we should be saying that a 'prudent estimate' is shown as two components, the best estimate and the margin above it. We do have to avoid 'prudence' being unquantified or aggravated by separate prudent assumptions in different factors. It is certainly desirable (Block at end of section 3) for banning margins in other assumptions to take the place of allowing for future changes in mortality. (Note if the assumption is worsening mortality it might be a negative margin! Or the reverse for life insurance). Otherwise I agree with the introductory 4 paragraphs to that Block

I was pleased to see in 5.56 that you do not propose to set limits on mortality assumptions. The statements in 4.22 to 4.26 are pretty clear that limits would be impractical.

6.46 is the way forward. That is to specify that the effect of different mortality assumptions is set out.

The Block at the end of Section 6 should drop the words 'by the population as a whole'. I took this to mean population mortality but it may mean, say, all the lives in a pension scheme. If you were to distinguish between classes of member, ignoring sex, but say by status or geographic workplace, then I can see justification for different base (point of time!) mortality and so also for improvements. What may need justification is wider evidence of differences applied to this 'total population' and any sub-populations selected.

Regards

Ian