

Disability Causes and their Effect in the Mortality of Disabled Annuitants in Mexico

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Abstract: Development of annuities markets is a critical element of any private system. In Mexico, when the new pension regimen came into existence in 1997, the Mexican Institute of Social Security (IMSS) was supposed to buy a single premium annuity for all the people who become eligible under the new regime. According to the rules, the eligible person would receive offers from different insurance companies authorized to sell annuities. Depending on the preference of the eligible person, he or she would select one offer. IMSS would be informed of this choice and in turn, it would authorize a single premium for the annuity.

The number of people who has become eligible from 1997 to 2003 is 134,754. Disability pensions represent 37% of total pensions sold up to date. Mortality of disables show substantial differences against the mortality table use to compute the annuity. Most of the differences can be explained by looking at the disability causes.

IMSS issues a Disability Medical Certificate, which includes the cause of disability, but Insurance Companies have no access to this document.

Using information for social security for 2001 and 2002, regarding mortality and disability, this paper presents the main causes of disability among disables and the main causes of mortality of those disables who died in their first and second year of disability. The analysis of those cases apart from explaining the important differences between the expected mortality and the observed mortality during the first two years of disability, also explains some of the latter changes in the operational rules of IMSS.