



SOCIETY OF ACTUARIES

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SOA Report on Mortality Improvement Survey

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The Society of Actuaries released in March the report of the Mortality Improvement Survey Subcommittee. This article highlights just a few of the interesting results in the report. The complete report can be accessed on the Internet at www.soa.org/research/mortality_improvement.html.

The report provides results of a survey of life insurance company practices in the summer of 2000 regarding the use of mortality improvement assumptions in pricing. 61 U.S. companies and six Canadian companies responded. All companies were direct writers (i.e., not reinsurers).

The survey asked about “generational” improvement (projecting historical experience up to the current date) and “durational” improvement (projecting current mortality to improve into the future). I am less interested in the generational improvement results. Although only 35 percent of respondents said they used generational improvement, most of those who did not use it said it was because their experience table already reflected

current expectations or were already up-to-date.

With regard to durational (future) mortality improvement, only 25 percent of respondents said they use this. Of those that use this, in the first 10 policy years, the annual improvement for male age 45 best nonsmoker preferred class ranged from .50 percent to 2.00 percent, with an average of .89 percent. Approximately half of these companies grade the improvement to zero after a period of 10 years or so. Although only 25 percent of companies priced using durational improvement, 52 percent of respondents believe it is appropriate to use durational improvement.

The reasons given for why durational mortality improvement is *not* assumed are listed in the table below.

Of course, the issue of mortality improvement should not be considered in isolation—it should be combined with consideration as to the steepness of the underlying mortality table, which is an issue described in another article in this newsletter (See page 13). □

Reasons Durational Improvement was not Used	
Reason	Percentage of Respondents
Creates problems with Illustration Certification	62%
Company does not believe durational improvement factors are appropriate.	56%
Creates problems with XXX X-Factors	36%
Company does not believe durational improvements factors are needed	28%
Other	28%