

Manage Mortality Risk with Precision

Developing business strategies involve assumptions about the future. And for companies involved with insurance and other financial products the success of those strategies depends on accurately forecasting mortality risk.

For matters involving life insurance, annuities, life securitizations, pensions, and structured settlements, the population of any given block of business may have a unique mortality risk profile that varies from expected. Unanticipated variations in risk can lead to poor financial performance.

The Need for Specialized Mortality Tables

Standard industry mortality tables and mortality assumptions based on the general population may not be adequate to predict the mortality experience of a particular block of business. Any portfolio of policies may contain anomalies that could impact mortality. The underlying assumptions may oversimplify or otherwise distort the mortality experience you can expect.

MIB's Actuarial and Statistical Research Group has the tools and expertise to accurately measure, understand and provide the insights you need to effectively manage the specific mortality risk in your large block of business. MIB's decades of expertise in mortality experience studies means we can develop specialized mortality tables based on the unique risk profile of your population.

Business Decisions Require Accurate Prediction of Mortality Risk

Mergers and Acquisitions

Companies considering acquiring lines of business for their core insurance and financial services portfolios need a fast and accurate way to evaluate the mortality risk profile of the block of business.

While the mature policies in these blocks have sufficient claims experience to align with standard mortality tables, the shorter duration policies lack meaningful claims and likely contain anomalies from contemporary underwriting practices that increase volatility and can significantly skew valuations. Underwriting exceptions, new preferred risk classes, table shave programs, unexpected persistency, and unbalanced risk class structures can all conspire to cause unforeseen volatility in the portfolio.

MIB provides a unique capability for the timely evaluation of expected mortality risk in large blocks consisting of tens or even hundreds of thousands of individual policies. Our analytics can more precisely determine a block's exposure to adverse deviations from expected mortality providing data for more finely-tuned valuations.



Securitizing Life Policies

Investment bankers and companies involved in life insurance securitizations are concerned about any volatility in mortality forecasts that might impact the price of the portfolio. Bond rating agencies also require more accurate information around volatility when evaluating a securitized portfolio.

MIB's expertise with statistical modeling techniques can show whether the mortality risk in a portfolio is significantly different from expected values, and can project volatility based on a more precise assessment of a specific portfolio of policies.

Managing Pensions

Pension managers concerned about meeting future pension obligations need accurate predictions regarding the longevity of their group.

Demographic shifts in the workforce means active lives covered by the program may display different mortality experience than the retiree population. And retirees may live far longer than expected.

With extensive statistical modeling and mortality expertise, MIB develops scenario models and sensitivity analyses based on the specialized mortality of these unique groups. The insights enable more accurate forecasts of actual-to-expected performance to fine-tune gaps.

Reinsurance Strategy

Insurance companies developing an effective reinsurance strategy need to know if their portfolio of policies contains any anomalies that would impact mortality. As they consider what part of their portfolio to reinsure, how much to reinsure and other facets of their reinsurance strategy, they need the most accurate forecast possible of their expected mortality experience for a block under consideration.

MIB provides a unique capability for the timely evaluation of mortality risk in large blocks of policies, and can determine whether the risk class of newly issued policies is consistent with the actual underlying mortality risk.

MIB Solutions Knowledge and Experience

MIB's Actuarial and Statistical Research Group is proud of its over 25 years' experience delivering intercompany experience studies for the benefit of the life insurance industry. Our experience studies include:

- Individual life studies
- Individual payout annuity studies
- Individual structured settlement studies
- Deferred annuity studies
- Long-term care studies
- Group long-term disability studies

For more than two decades, the Society of Actuaries has relied on MIB Solutions' Center for Medico-Actuarial Statistics (CMAS), an operating unit of the Actuarial and Statistical Research Group, to provide an industry-wide perspective on life experience studies that serve as the foundation for industry mortality tables.

MIB's expertise in actuarial analysis, data security, systems design and operations means that clients get superior analysis of experience data, with the assurance of the highest standard of data security and confidentiality, in an environment that the industry has trusted since 1902.

Learn more about how MIB can help you manage mortality risk with precision. Visit www.mibsolutions.com/riskanalytics, or contact Tom Rhodes, FSA, MAAA, Associate Vice President and Actuarial Director at trhodes@mibsolutions.com.

