

Chapter 10

Instructions regarding reporting templates

IR.12.04 – best estimate assumptions for life insurance risks

General comments

This template is applicable to life insurers. Assumptions are not required for accepted reinsurance. This template is not required if the only long-term business, other than accepted reinsurance, is annuities stemming from non-life contracts.

The purpose of this template is to give an indication of changes in the valuation basis, how the basis compares with experience and the variability of the firm's recent experience.

For the lines relating to mortality / morbidity tables firms should calculate an approximate equivalent constant percentage if the percentage of the table varies by age or where there are adjustments to age.

The previous year basis and previous year experience in columns C0030-C0070 should be converted to a percentage of the table in C0010 using approximations as necessary to enable them to be compared with C0010. It is important that any data shown is presented on a consistent basis.

Firms are not required to show experience where this is of low credibility. A guideline for low credibility is less than 200 claims per annum for an individual line of the template.

Where the assumptions vary by source of business within the products included in this template the firm should show the assumptions and experience for the largest 3 categories by number of policies, subject to individual lines meeting the credibility test above.

Data is not required for subcategories 2 and 3 where the previous line(s) already cover at least 50% of the business for that product. Subcategories should be shown in descending order of size, i.e. subcategory 1 is the largest.

Firms are not required to undertake any additional analysis of past claims in order to complete this template. Firms are only required to provide experience data for years where this is available and where it has been calculated on a consistent set of underlying policies for previous years.

Items R0010-R1320 should be entered as percentages to 2 decimal places.

Items R1330-R2100 should be entered to 2 decimal places.

Items should be left blank if not applicable to the firm.

	ITEM	INSTRUCTIONS
R0010	Assurance mortality (male non-smoker)	Assurance mortality for male non-smokers where pricing is based on smoker status.

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	ITEM	INSTRUCTIONS
R0050	Assurance mortality (male aggregate)	Assurance mortality for males where pricing is not based on smoker status.
R0090	Assurance mortality (male smoker)	Assurance mortality for male smokers where pricing is based on smoker status.
R0130	Assurance mortality (female non-smoker)	Assurance mortality for female non-smokers where pricing is based on smoker status.
R0170	Assurance mortality (female aggregate)	Assurance mortality for females where pricing is not based on smoker status.
R0210	Assurance mortality (female smoker)	Assurance mortality for female smokers where pricing is based on smoker status.
R0250	Assurance mortality change per annum	Increase (decrease) in mortality rates per annum applied each year after the valuation date. Where the rate varies by year firms should calculate the equivalent annual rate over ten years. This field should be left blank where there is no allowance for change.
R0290	Individual pension annuitant mortality (male)	Annuitant mortality for male individual pensions in payment for standard lives (i.e. not enhanced / impaired annuities).
R0330	Individual pension annuitant mortality (female)	Annuitant mortality for female individual pensions in payment for standard lives (i.e. not enhanced / impaired annuities).
R0370	Bulk pension annuitant mortality (male)	Annuitant mortality for male pensions in payment for bulk buyouts of occupational pension schemes.
R0410	Bulk pension annuitant mortality (female)	Annuitant mortality for female pensions in payment for bulk buyouts of occupational pension schemes.
R0450	Critical illness (male non-smoker)	Claim rates for male non-smokers where pricing is based on smoker status. Where accelerated critical illness is the main product the basis should be the percentage of combined mortality and critical illness claims.
R0490	Critical illness (female non-smoker)	Claim rates for female non-smokers where pricing is based on smoker status.
R0530	Critical illness change per annum	Increase (decrease) in critical illness rates per annum applied each year after the valuation date. Where the rate varies by year firms should calculate the equivalent annual rate over ten

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	ITEM	INSTRUCTIONS
		years. This field should be left blank where there is no allowance for change.
R0570	Income protection inception (male)	Income protection inception rates for males.
R0610	Income protection inception (female)	Income protection inception rates for females.
R0650	Income protection termination (male)	Income protection termination rates for males.
R0690	Income protection termination (female)	Income protection termination rates for females.
R0730	Lapse rate per annum, years 11+, with-profits endowment	Average of the annual lapse rates for policy years 11+ for with-profits endowments. For cells [C0010:C0020] [R0740-R1240] we expect firms to calculate the arithmetic average, but removing years which are not applicable or immaterial to their business. For experience in cells [C0030:C0070] [R0740-R1240] firms can choose between an arithmetic average of the annual rates or a weighted average provided this is applied consistently.
R0770	Lapse rate per annum, years 11+, unit-linked endowment	Average of the annual lapse rates for policy years 11+ for unit-linked endowments.
R0810	Lapse rate per annum, years 1-5, level term	Average of the annual lapse rates for policy years 1-5 for level term assurances.
R0850	Lapse rate per annum, years 6-10, level term	Average of the annual lapse rates for policy years 6-10 for level term assurances.
R0890	Lapse rate per annum, years 11+, level term	Average of the annual lapse rates for policy years 11+ for level term assurances.
R0930	Lapse rate per annum, years 1-5, decreasing term	Average of the annual lapse rates for policy years 1-5 for decreasing term assurances.
R0970	Lapse rate per annum, years 6-10, decreasing term	Average of the annual lapse rates for policy years 6-10 for decreasing term assurances.
R1010	Lapse rate per	Average of the annual lapse rates for policy years

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	ITEM	INSTRUCTIONS
	annum, years 11+, decreasing term	11+ for decreasing term assurances.
R1050	Lapse rate per annum, years 1-5, investment bond	Average of the annual surrender rates for policy years 1-5 for investment bonds, including both part surrenders and full surrenders.
R1090	Lapse rate per annum, years 6-10, investment bond	Average of the annual surrender rates for policy years 6-10 for investment bonds, including both part surrenders and full surrenders.
R1130	Lapse rate per annum, years 11+, investment bond	Average of the annual surrender rates for policy years 11+ for investment bonds, including both part surrenders and full surrenders.
R1170	Transfer rate per annum pre-retirement, individual pensions	Average of the annual transfer rate pre-retirement (e.g. below age 55) for individual defined contribution pensions.
R1210	Transfer rate per annum pre-retirement, group pensions	Average of the annual transfer rate pre-retirement (e.g. below age 55) for group defined contribution pensions (e.g. group personal pensions).
R1250	Guaranteed annuity rate take-up	Proportion of policyholders taking the guaranteed annuity rate which is in the money and where they are entitled the policy value either partly or fully in cash.
R1290	Expense inflation after valuation date per annum	Annual rate of inflation applied to the expenses in R1820-R2080. Where the rate varies by year firms should calculate the equivalent annual rate over ten years.
R1330	Expectation of life, male 50, no future improvements	Expectation of life for a male age 50 at the valuation date for deferred annuities. No allowance is to be made for improvements in mortality rates after the valuation date. For R1340-R1800 expectation of life is the 'complete' expectation of life, i.e. allowing for the exact period from the valuation date to the date of death. For items R1380-R1800 firms should use whichever of individual or bulk business is more significant.
R1370	Expectation of life, male 50, with future improvements	Expectation of life for a male age 50 at the valuation date for deferred annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of

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	ITEM	INSTRUCTIONS
		best estimate liabilities.
R1410	Expectation of life, male 65, no future improvements	Expectation of life for a male age 65 at the valuation date for pension annuities. No allowance is to be made for improvements in mortality rates after the valuation date.
R1450	Expectation of life, male 65, with future improvements	Expectation of life for a male age 65 at the valuation date for pension annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of best estimate liabilities.
R1490	Expectation of life, male 80, no future improvements	Expectation of life for a male age 80 at the valuation date for pension annuities. No allowance is to be made for improvements in mortality rates after the valuation date.
R1530	Expectation of life, male 80, with future improvements	Expectation of life for a male age 80 at the valuation date for pension annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of best estimate liabilities.
R1570	Expectation of life, female 50, no future improvements	Expectation of life for a female age 50 at the valuation date for deferred annuities. No allowance is to be made for improvements in mortality rates after the valuation date.
R1610	Expectation of life, female 50, with future improvements	Expectation of life for a female age 50 at the valuation date for deferred annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of best estimate liabilities.
R1650	Expectation of life, female 65, no future improvements	Expectation of life for a female age 65 at the valuation date for pension annuities. No allowance is to be made for improvements in mortality rates after the valuation date.
R1690	Expectation of life, female 65, with future improvements	Expectation of life for a female age 65 at the valuation date for pension annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of best estimate liabilities.
R1730	Expectation of life, female 80, no future improvements	Expectation of life for a female age 80 at the valuation date for pension annuities. No allowance is to be made for improvements in mortality rates after the valuation date.

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	ITEM	INSTRUCTIONS
R1770	Expectation of life, female 80, with future improvements	Expectation of life for a female age 80 at the valuation date for pension annuities including allowance for improvements in mortality rates after the valuation date as in the calculation of best estimate liabilities.
R1810	Renewal management unit cost – with-profits endowment	Per policy renewal management expense unit cost in the year following the valuation date for with-profits endowments.
R1850	Renewal management unit cost – unit-linked endowment	Per policy renewal management expense unit cost in the year following the valuation date for unit-linked endowments.
R1890	Renewal management unit cost – term assurance	Per policy renewal management expense unit cost in the year following the valuation date for term assurances.
R1930	Renewal management unit cost – investment bond	Per policy renewal management expense unit cost in the year following the valuation date for investment bonds.
R1970	Renewal management unit cost – with-profits individual pension	Per policy renewal management expense unit cost in the year following the valuation date for with-profits individual pensions.
R2010	Renewal management unit cost – unit-linked individual pension	Per policy renewal management expense unit cost in the year following the valuation date for unit-linked individual pensions.
R2050	Renewal management unit cost – annuity	Per policy renewal management expense unit cost in the year following the valuation date for pension annuities in payment.
R2090	Aggregate valuation expense loadings for year following valuation	The total amount of renewal management expenses implied for the year following the valuation date arising from the renewal management unit costs. Includes claims management expenses but excludes investment management expenses. This line is only required for subcategory 1 and comprises the entire business.
	Assumption	Assumption subcategories are used to ensure

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	ITEM	INSTRUCTIONS
	subcategories	multiple lines for the same assumption can be identified. Three rows are provided for each assumption type.
C0010	Valuation year Y basis	Basis for calculating the best estimate liabilities as at the current valuation date (reference date).
C0020	Valuation year Y-1 basis	Basis for calculating the best estimate liabilities as at the previous valuation date.
C0030	Previous year Y-1 experience	Firm experience in year Y-1 where year Y is the valuation year.
C0040	Previous year Y-2 experience	Firm experience in year Y-2 where year Y is the valuation year.
C0050	Previous year Y-3 experience	Firm experience in year Y-3 where year Y is the valuation year.
C0060	Previous year Y-4 experience	Firm experience in year Y-4 where year Y is the valuation year.
C0070	Previous year Y-5 experience	Firm experience in year Y-5 where year Y is the valuation year.
C0080	Underlying table	Mortality / morbidity table, e.g. AM92. Where firms use a percentage of the table which varies by age firms should append 'adjusted' to the table name, e.g. AM92 adjusted. Firms should show 'reinsurer' where the basis uses the reinsurer's rates. For annuitant mortality tables (R0300-R0440) firms should include the basis for future improvements. Where the CMI Mortality Projection Model is used for mortality improvements, provide a description consistent with latest guidance from the CMI, e.g. CMI_2018_G [L%; S=S%; A=A%]. Where an array of parameters is used in place of a single parameter, provide a single equivalent value where possible. Note changes to other Advanced parameters at a high level (without specifying equivalent values or full detail).
C0090	Subcategory description	Description of subcategory, e.g. IFA, ex ABC Insurance, Brand X. Only required where there is more than one subcategory reported for the same assumption. Descriptions should be succinct and should not repeat the name of the current insurer.