

## Distribution management for life insurers

More Metrics modelled data includes a Mortality standard mortality ratio (SMR). This is expressed as a percentage of population mortality and differentiates by socio, economic, lifestyle and geographic factors.

The Mortality SMR (MM Code 40001) is tagged by postcode, age band and gender.

One of its applications is for helping life insurers identify the quality of business provided by different distributors as part of a distribution management strategy.

### Why is mortality important in distribution management?

For life protection products mortality is the primary pricing variable, either directly or through reinsurer rates. However, mortality experience takes many years to emerge, especially as the effectiveness of current underwriting methods minimises early deaths. Therefore premiums have to include a margin for mispricing risk and profitability may vary significantly from assumed in future years.

### What information does More Metric's Mortality SMR provide?

A simple and quick measure of the relative mortality risk of each distributor's business can be obtained by scoring their clients using the Mortality SMR. The average client score is a direct measure of the relative mortality quality of each distributor's book. Clients can be scored as soon as their details are captured, so enabling mortality quality to be monitored continually.

In practice some of the mortality variation may be allowed for through the business mix by smoker status, rated cases, sum assured and other rating factors. This can be allowed for by segmenting the analysis and using weighted averages for a distributor's business.

### How can this help?

The expected mortality profile is one aspect of the quality of the business of a distributor's business. Other factors include lapse and servicing measures. Each of these can be quantified on their effect on profitability. Such information underpins the ability to take action to improve the business written.

Potential actions range from varying commission terms to reflect expected profitability, identifying distributors to work with to improve their business, or amending marketing, products, pricing or rating factors to target better business segments.

Additionally, the immediate evidence on the mortality experience will enable the mispricing risk premium to be reduced in both insurer assumptions and reinsurance rates.

### Is this easy to do?

Yes: the full data set can be provided for incorporation in your system, or real-time individual calls can be made via an API link from one of our data distribution partners.

### Is it compliant?

Our data is GDPR-compliant and Individualised personal data is not used in its production.

Ethnicity is included in our predictor variables set for our normal Mortality SMR and therefore it can only be used for analysis, and not for end-customer pricing. Please contact us if you wish to use our data in end-customer pricing.

### Further information

Further details on our Mortality SMR dataset is available on Technical Sheet 40001.

Contact [Nigel.Bradshaw@MoreMetrics.co.uk](mailto:Nigel.Bradshaw@MoreMetrics.co.uk) to find out more about distribution management and More Metrics