

Some common, but unjustified objections to medical underwriting



MorganAsh

Medically Underwritten Mortality Studies (MUMS)



“What about data privacy and data security?”

MorganAsh routinely manages medical data for multiple insurance companies, across the UK, Ireland and Germany. MorganAsh has bespoke systems to do this and is accredited to ISO 27001.

More information is available here: morganash.com/security

“Our scheme members won’t give medical information.”

While this is often a first thought, this is not the case. Although participation is voluntary, every study has provided sufficient participation rates to give a statistically valid response. The mean response rate is 60%.

“We don’t like this.”

Consultants make lots of money selling postcode models. These postcode models, while being very good at extrapolating life expectancy from postcodes, contain absolutely no individual medical data or specific empirical evidence – so it is very difficult for companies to merge medical underwriting with postcode models.

“Medical underwriting is not proven.”

This is simply not true. Medical underwriting of individuals is the basis of the life insurance industry; the individual annuity market has been around for over 100 years and it is used by all the major life insurers, and the reinsurers, across the globe.

It is used by anyone buying out their defined benefits pension – so companies are being arbitrated against if they ignore it.

MorganAsh undertook its first survey in 2012 and has completed over 100 schemes since. There has been no negative feedback.



“The method does not produce a q_x so can't be used.”

(q_x is the probability that a person aged exactly x dies before exact age $(x+1)$, $q_x = (1-p_x)$ – in other words, the probability of dying in the next year.) This is saying you must use the method of postcode and age and can't use anything else. It is basically saying “we can't use data that we are not used to” and nothing more.

“Medical underwriting is not approved by regulators.”

This is incorrect. (Actually, nothing is approved by regulators – their role and remit is to intervene against activity which is outside the regulations or is anti-competitive.)

Both the Institute and Faculty of Actuaries and The Pensions Regulator have evaluated MUMS and not intervened nor stopped it. The Pensions Regulator has inspected MUMS valuations and has never had an issue with them.

An investigation by the Institute and Faculty of Actuaries found nothing wrong with the medical underwriting method. A paper on this is provided, called 'MUMS and the IFOA working party'.

The Pensions Regulator is presently consulting on the challenges of estimating mortality. It specifically highlights the problem of assumptions on mortality – and now requires trustees and companies to provide evidence of their assumptions.

It specifically mentions medical underwriting as a viable way to collect this evidence. [See page 59 of the consultation code of practice.](#)



“We won't buy-out the scheme if you get this data.”

Suppressing the acquisition of data prior to a sale is anti-competitive as it could be seen as deliberately trying to prop up prices for insurers to buy-out. This is illegal under UK competition law, as enforced by the Competition & Markets Authority (the CMA).

The CMA would wish to determine if this could be an abuse of a dominant position by an insurer or if this could be a cartel action.

A CMA investigation against trustees risks them being found foul of anti-competitive behaviour – and then being forced to correct this. This is a risk for trustees. The CMA can fine the individuals as well, so trustees must make sure that their insurance covers them for this as well as the trustees as a unit.

This issue is on the CMA's radar; indeed, a complaint has been logged with them.

The fact is that insurers, including Aviva, L&G and JUST, have progressed scheme buy-outs based on individual medical data gathered by MorganAsh.

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