

Zimbabwe-specific Mortality Tables Factsheet

Zimbabwe has developed country-specific mortality tables, a first of its kind since independence. Previous attempts to develop Zimbabwe-specific tables were unsuccessful due to a lack of funding and stakeholder buy-in. The Insurance and Pensions Commission (IPEC) spearheaded the development of the new country-specific mortality tables after receiving support from the Ministry of Finance and Economic Development. IPEC constituted a Mortality Tables Working Group comprising Life Offices Association, Actuarial Society of Zimbabwe, National Social Security Authority, Zimbabwe Association of Pension Funds, Zimbabwe Association of Funeral Assurers, and the Macroeconomic and Financial Management Institute of Eastern and Southern Africa to assist in the development of the tables. The Working Group appointed Beacon Actuarial Services, as the consultant responsible for developing the tables. But what exactly are mortality tables, why is it important to have Zimbabwe-specific mortality tables, and what does all this mean for policyholders and pension fund members?

All this is explained below:



What are Mortality Tables?

Mortality tables, also known as actuarial tables or life tables, are statistical tables that show the chances of individuals surviving or dying at a particular age.

What are they used for?

The tables are primarily used to determine the amount of money that individuals would need to pay as premiums when taking insurance policies. Insurance companies also use the tables to determine the amount of funds that they need to set aside towards meeting insurance claims when insured events occur - these are called reserves.

What does it mean to have Zimbabwe-specific tables?

Country-specific mortality tables are ideal because they reflect the underlying mortality experiences of the country. Decisions will, therefore, be based on more relevant and appropriate experiences that reflect the demographic and economic experiences of the country.

What was being used before and what were the challenges?

The insurance and pensions industry was relying on mortality tables from other countries with some adjustments to suit local experiences. Without country specific mortality tables, some inference would need to be made on the degree to which Zimbabwe's own mortality experience follows that of another country's mortality tables. The risk, therefore, is that the inference may not be appropriate leading to some incorrect strategic decisions such as charges for insurance contracts and pension products.

Is it the first time Zimbabwe is having its own Mortality Tables?

This is the first successful attempt to develop the mortality tables at the industry level in post-independence Zimbabwe. However, some insurance companies have always developed and updated in-house mortality tables for use in determining premium rates and other uses.

Some insurance companies and pension funds would also rely on tables from other countries with some expert adjustments to reflect the local Zimbabwean mortality experiences.

What are the major findings of the Mortality Tables inquiry?

- The mortality in Zimbabwe has generally improved i.e., the number of deaths in the country has decreased and the average life expectancy has increased.
- The impact of the new tables on premiums and reserves was assessed against the standard tables from other countries for selected products. Overall, the new tables produced lower premiums and reserves than the standard tables.
- However, there is a need to assess the impact on actual products, a process known as Quantitative Impact Assessment (QIS).

What are the challenges associated with using foreign Mortality Tables?

- Mortality experiences in other countries may not be a good reflection of Zimbabwean experiences due to differences in economic, social, and demographic situations.
- Mortality changes over time due to new lifestyles, working habits, and medical advancements, and all this could either result in improvement

or worsening insured mortality experiences for Zimbabwe compared to the other countries.

- As such, using foreign tables could result in inappropriate pricing and overall risk management for insurance companies and pension funds.

Since the Mortality Tables findings indicate that policyholders were overcharged, will premiums and contributions be reduced?

The testing of the new tables was done on standard tables and not actual products. In practice, actuaries make adjustments to the standard tables to match the experience of their products. Some products might experience heavy mortality than that of standard tables while others might experience lower mortality. Therefore, we cannot generalise by saying industry is overcharging premiums unless tests are done at product level.

Mortality is one factor among other factors such as expenses and investment return that affect the premiums. Therefore, to fully understand the impact of the developed tables, insurance companies and pension funds would need to determine how premiums would change for their different products after applying the mortality tables – a process known as Quantitative Impact Assessment.

Mortality Tables are applicable in which class of insurance?

They are applicable to Life, Funeral, and Pensions

When will these Mortality Tables become effective?

IPEC will advise the industry on the way forward after testing impact of the mortality tables on actual products in the market – a process known as Quantitative Impact Assessment. We are however, envisaging immediate implementation using the principle of COMPLY or EXPLAIN. Next steps will be communicated post QIS.

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