



Institute
and Faculty
of Actuaries

IFoA COVID-19 Action Taskforce (ICAT)

Survey Results May 2020





Institute
and Faculty
of Actuaries

IFoA COVID-19 Action Taskforce (ICAT)

Executive Summary

Executive Summary

c.400

Respondents to IFoA survey

In April 2020 the IFoA surveyed individuals who have volunteered for the IFoA COVID-19 Action Taskforce (ICAT). Over 400 responded.

>2/3_{rds}

Making or intend to make allowances for COVID-19 in their work

Given the uncertainty, the focus is on reviewing assumptions and performing sensitivity tests. Respondents have asked the IFoA to produce advice guides covering a range of topics to support them.

11%

Unmanageable impact of COVID-19

COVID-19 has impacted nearly all respondents' work. Technology has assisted many to make this manageable, but there are still many challenges.



Institute
and Faculty
of Actuaries

Executive Summary (cont'd.)

- **Sources of information** – Respondents rated the information they get on COVID-19 and listed a number of good additional sources.
- **Advice guides** – They advised on the general kinds of advice guides they would like to see from the IFoA and made specific requests. Suggestions were primarily technically focussed so as to support actuaries with the impact of COVID-19 on their work.
- **Member Support** – There were a number of suggestions about IFoA operations and member well-being, which have been passed on to the IFoA.
- **Impact of work** – The majority of respondents, regardless of areas of practice, are already allowing for or intend soon to allow for the impact of COVID-19 in their work. Given the level of uncertainty, the focus is currently on performing sensitivity tests and reassessing assumptions.
- **Impact on ability to work** – Respondents discussed how remote working is affecting the actuarial workplace and discussed changes in demand for actuarial services. Technology has generally enabled people to continue to work, with many saying that they are more efficient and would like to continue some element of remote working in the future. Challenges arise from balancing work with childcare/home schooling and shared workspaces, review processes and ability to make decisions requiring additional planning, less efficient sales processes and client engagement, and some face to face processes (such as selling, training and recruitment) suffering.
- **Future actuarial work** – There was a mixed opinion on the change in demand for actuarial skills, with most respondents expecting increases in demand in a range of areas and many expecting this to be offset by a fall in demand in other areas.

The IFoA is grateful for the quality of input it has already received and looks forward to the contributions ICAT workstreams will continue to generate.



Institute
and Faculty
of Actuaries



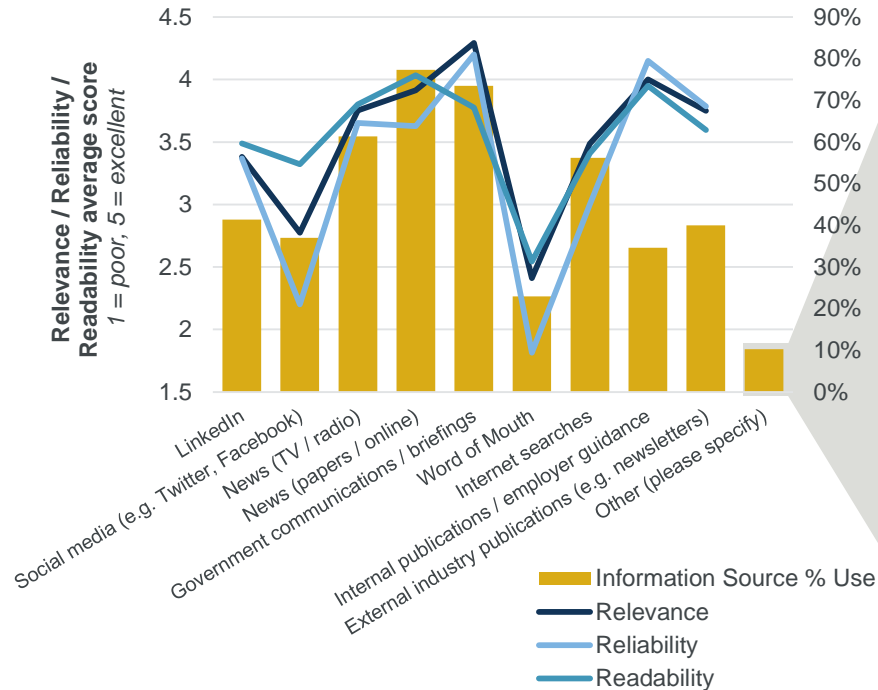
Institute
and Faculty
of Actuaries

IFoA COVID-19 Action Taskforce (ICAT)

Detailed Results

Sources of Information

Sources and quality of information



Other sources of information include:

- Academia/university websites and mailouts
- Consultancies
- Reinsurance partners
- Charity websites
- Think tanks
- Investment banks
- Fund managers
- Investment boutiques
- Scientific journals, e.g. The Lancet
- GI Counsel reports
- Media blogs

Other specific websites include:

- Bloomberg
- @COVID19UP
- Pew
- Club Vita
- InShorts mobile app
- IHME
- John Hopkins University
- WHO
- IFoA
- SoA
- ONS
- Kaggl
- Worldometer Coronavirus

Actual Questions: "How do you currently find out information about COVID-19 (both for general interest and information that is relevant to your work)?"
 "Please rate the information sources you use for relevance, readability and reliability on a scale of 1 to 5 (with a score of 1 poor and 5 excellent)."



Institute
and Faculty
of Actuaries

Advice Guides

Respondents had a number of specific suggestions for advice guides

- **Profitability** – Short term / long term impact on all drivers of profitability (mortality/morbidity, GI exposure, interest, persistency, expense, reserves, reinsurance to name a few)
- **Economic drivers** – Unemployment, interest rates, inflation, consumer demand
- **Granular assumptions** – The usual age/sex/underwriting class, but also aspects such as care home mortality
- **New government requirements** – How are companies and actuaries influencing, quantifying, and mitigating requirements such as extended grace provisions, reserving, notification, mandated coverage?
- **Consumer behaviour** – What are the insurance implications of short / long term changes in lifestyle, insurance exposure and insurance needs?
- **Customer expectations and company response** – Premium refunds and other accommodations. The actuary's role in customer service
- **Urban planning and real estate implications** – What are the short / long term implications of changes in office use?
- **Other considerations**
 - Short / long term changes to human relationships and the work environment (work from home, use of office space, patterns of communication)
 - New insurance product opportunities
 - Cross country analysis
 - Cyber risk / fraud
 - Analysis of emergence from lock-down
 - Quantitative material on pandemic modelling
 - Sharing industry data

Actual questions: "What would you like the IFoA to produce to support members during the COVID-19 pandemic?" and "What specific advice guides would you like to see?"



Institute
and Faculty
of Actuaries

IFoA Support for Members

Suggestions focussed on IFoA operations and member well-being

Exams

- Tips for students to move forward on exam progress and flexibility/accommodation for disruption to exam efforts
- Communication on what the IFoA will do to continue exam administration to work best for students, with fairness to all
- Move forward with online exams
- Contingency planning for a longer disruption

Professional Development

- Inexpensive, relevant webinar content available across time zones
- Connect actuaries with broader opportunities to use their skills to support the fight against COVID-19

Communication

- Timely, specific, targeted information and analysis, easily located
- Raise the profile of the actuarial profession as a reliable voice in public discussion

Member Well-being

- Maintaining actuarial employment
- Pay cuts
- Mental well-being of members
- Mentorship (particularly focused on lessons learned from past crises)
- Networking
- Cost of membership, exams, CPD
- Differing needs of international members

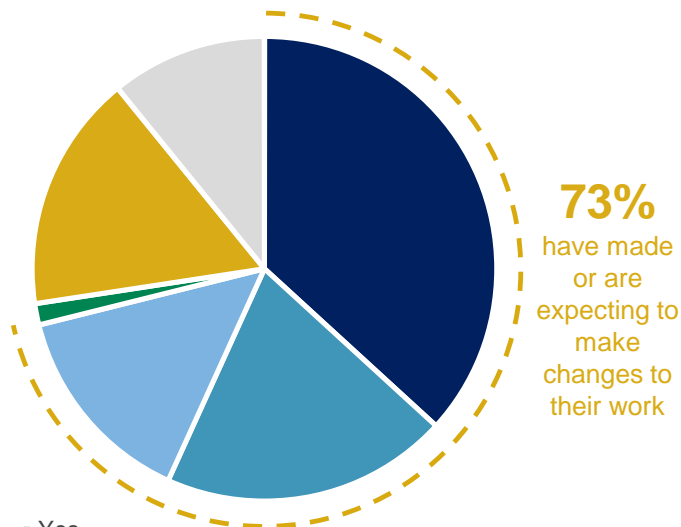
Actual question: "Is there anything else that the IFoA should be doing to support its members?"



Institute
and Faculty
of Actuaries

Are you allowing for COVID-19 in your work?

Allowances are already or will soon be made across almost all practice areas



73%
have made
or are
expecting to
make
changes to
their work

The **main areas of activity** for respondents are currently:

- Assumption resetting and sensitivity analyses, considering experience as it emerges
- Exposure and loss quantification scenario analyses
- Reforecasting activities, allowing for many wider factors including changes in future premium volumes
- Out of cycle solvency and risk assessments, including ORSA updates and wider ERM activities

Consistent with the requests for advice guides, the **key assumptions** are:

- Mortality/morbidity/longevity
- General insurance claims frequency
- Investment returns and asset values
- Renewal and persistency rates
- Wider macroeconomic assumptions, including inflation and foreign exchange

Many highlighted that there is still too little data and too significant uncertainty around future outcomes for assumptions to be readily definable. The focus is hence on the performance of sensitivities and a relatively short term view of impacts.

- Yes
- Waiting for further information / clarity
- No, but planning to make changes
- No, and not planning to make changes
- n/a
- No response

Actual question: "Are you allowing for any impacts of the COVID-19 pandemic in your work? (for example through changes to your assumptions regarding financials / mortality)?" and "If impacts are being allowed for, what form are these allowances taking?"



Institute
and Faculty
of Actuaries

Has COVID-19 made it harder for you to do your work?

Technology has enabled people to continue to work with some challenges....

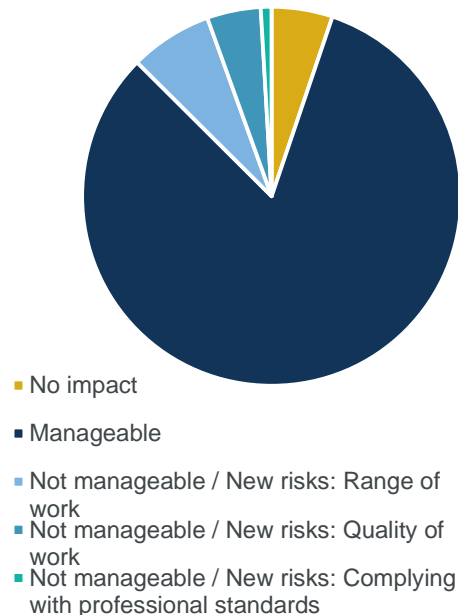
Most respondents said that the impact of Covid-19 has been manageable through the use of technology, although those who said the impact has / has not been manageable raised similar points regarding the challenges of remote working.

Many were already set up to work remotely, with some improvements required for meetings and collaboration. **Additional IT and internet challenges** and risks include:

- Unauthorised recording of meetings
- Incompatibility of meeting software or connectivity issues
- Increased cyber security risks
- Inability to access IT cross border, or difficulties with consistent access to electricity

Other challenges include:

- Sometimes being on site or face to face is essential, e.g. sales, recruitment and training including student mentorship. Some student rotations have either been put on hold or cancelled
- Review processes from peer review to board meetings have to be more carefully planned, making decisions harder to obtain
- Whilst technology helps people with childcare / home schooling, performing such tasks as well as work related tasks can be challenging, especially where the home workspace is shared
- Client engagement is slower, with some noting a deterioration in the quality of conversation
- Monitoring the mental health of individuals remotely and keeping the sense of team is challenging
- Operational risk events are more likely



Institute
and Faculty
of Actuaries

Has COVID-19 made it harder for you to do your work?

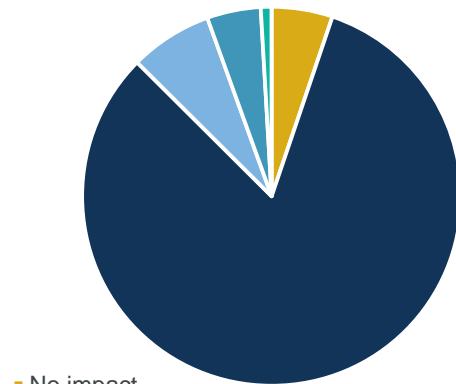
....many have had a positive experience, but there have been downsides

In general respondents were **positive about the experience**:

- Many noted that they were more efficient with less travel, meetings and interruptions although some noted that it took longer to complete tasks
- Good communication skills noted as being key to success, as well as being punctual and setting timelines for tasks
- Many would value the opportunity to continue to work remotely for part of the week in future
- Many worked at home or remotely anyway, with the technology already in place when lockdown commenced
- New skills have been learned in the use of technology

Some of the areas where COVID-19 had an **adverse impact** include:

- Cancellation of projects due to Covid-19
- Ability to win new projects when working remotely or due to budget/finance constraints
- The contractor market, and ability to get a new permanent role
- Increased hours and reduced work-life balance
- Increased regulator and government requests producing additional requirements or increases to workload on a reduced workforce



- No impact
- Manageable
- Not manageable / New risks: Range of work
- Not manageable / New risks: Quality of work
- Not manageable / New risks: Complying with professional standards

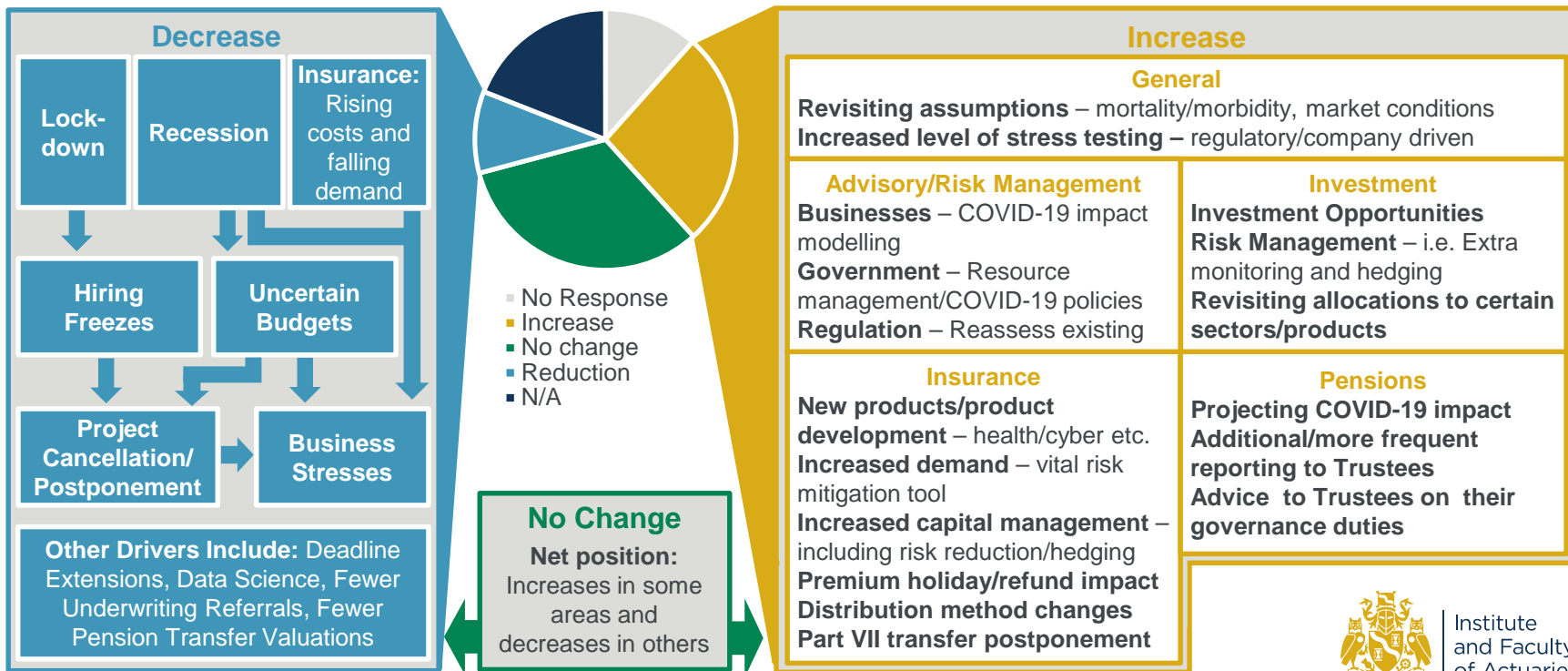
Actual question: "Based on your own experience, and that of your employer, has COVID-19 made it harder for you to do your work (for example due to enforced remote working)?"



Institute
and Faculty
of Actuaries

Change in Demand for Actuarial Skills

Increases across a wide variety of areas with decreases in some areas too



Actual question: “Are you aware of a change in demand for actuarial skills due to the COVID-19 pandemic?”



Institute
and Faculty
of Actuaries

Change in Demand for Actuarial Skills

Factors supporting increase in demand

General

- **Assumption setting** – Actuarial judgment needed to revisit assumptions due to greater uncertainty around future morbidity and mortality and an increase in volatility of market parameters
- **Stress testing** – Increased level of stress testing stemming from company and regulatory requirements

Advisory/Risk Management

- **Business** – Increase in consultancy / ERM work as companies assess and mitigate the impact of COVID-19
- **Governments** – Actuary's role to assist governments with resource management, policy setting and disaster risk management
- **Regulation** – Regulators need to reassess existing frameworks and regulation and to develop a new framework for the pandemic

Investment

- **Opportunities** – Investigation of short and longer term opportunities for yield enhancement and arbitrage in these new market conditions
- **Risk Management** – Increased monitoring of assets, additional analysis on credit risk exposures and further investigation of risk management techniques such as hedging
- **Asset Allocation** – Revisiting allocations to certain sectors / products such as illiquid investments where the covenant has been breached in the pandemic, requiring renegotiation

Insurance

- **New products/product development** – New comprehensive health insurance products, cyber insurance and pandemic insurance
- **Increase in demand** – Likely increase in demand for insurance in this period of increased uncertainty. Some mentioned the possibility of mandatory health and life insurance
- **Increased capital management activity**
- **Quantifying financial impact of customer responses**
- **Changes in distribution methods** – Fall in face to face sales
- **Part VII transfer postponement** – Postponing to an uncertain date may lead to additional testing / requirements

Pensions

- **Managing COVID-19 impact** – Changes in funding level, strength of employer covenants and possible employer contribution hiatus
- **Additional and more frequent reporting** to trustees/sponsor
- **Advice to trustees** on governance / operational aspects of duties



Change in Demand for Actuarial Skills

Factors supporting decrease in demand

- **Hiring freezes and reduction of available contract work** – Many respondents who saw a decrease in actuarial skills cited hiring freezes in their explanation. Whilst hiring freezes will in part be due to the logistical difficulties of hiring during lockdown, it was noted that with a recession looming and a likely increase in insurance claims in many areas, future recruitment budgets are less certain and redundancies may be possible
- **Project cancellation and postponement** – It was noted by a number of actuaries that planned projects may be postponed due to budget cuts and the corresponding fall in consulting fees, as well as capacity issues. Whilst existing projects are for the most part going ahead, some have been subject to delays. Some M&A deals have been cancelled entirely
- **Actuarial business stresses** – Some respondents expressed concerns that smaller actuarial businesses may not be able to survive due to increasing costs and decreasing demand. Depending on business mix, insurers could face a greater number of claims and fewer premium collections. Whilst as mentioned above, consultancies face lower fees and postponed projects
- **Deadline extensions** – The extension of certain reporting by the regulators may temporarily reduce demand for actuarial skills
- **Data science** – Several respondents mentioned the possible reduction in demand of traditional actuarial skills due to the rise of technology and big data
- **Other areas with a fall in demand** – There may be fewer underwriting referrals, fewer claims on some types of insurance and fewer pension transfer value calculations



New Work Areas Resulting from COVID-19 Pandemic

Many new areas and greater demand for existing areas

A quarter of respondents were aware of new work areas as a result of the pandemic, with some also mentioning that they have seen greater demand in existing areas such as scenario analysis and risk management in order to create useful insights for businesses and the public.

Key areas mentioned:

COVID-19 Modelling

COVID-19 spread modelling.

Advising government and health organisations on effective distribution of scarce resources and policy setting

COVID-19 impact forecasting

Using demographic and economic scenario projection to advise public and private sector

Identification of at-risk groups

Risk Management

Systemic Risk

Increased focus on Business Continuity Management and ERM

Quantification of new risks

i.e. crime rates, changes in travel patterns, volatile markets

Revisiting assumptions

i.e. mortality rates, pension decrement rates

Insurance

Insurance claims assessment

Understanding and reviewing policy wordings for any potential exposure to the pandemic

Increase in uptake of certain insurance types

For example:

- cyber insurance
- health insurance
- catastrophe insurance

Other

Resource & Environment issues

Social Reinsurance

Population Health Management

Advice on contribution deferral to DB funds

Reviewing dividend decisions

Automation/model improvement

Actual question: "Are you aware of any new work areas actuaries have been involved in as a result of the pandemic?"



Institute
and Faculty
of Actuaries

Further Comments and Suggestions

Responses fell into four broad areas

1

Models

A number of comments related to the modelling or projections of the impact of COVID-19 on mortality and morbidity including:

- Putting COVID-19 deaths into perspective vs the “normal” death rate
- Risk factors to consider in modelling COVID-19, such as weather/temperature, types of pre-existing conditions, age/gender/socio-economic class, population density, healthcare spend etc., including between countries
- Potential pitfalls in modelling new areas with little data
- The importance of leveraging existing work, e.g. from academia or specialist companies

3

Questions

Some respondents raised specific questions that will be referred to the relevant workstreams to consider. The comments were wide ranging and included

- improvements to operational risk models, particularly in stressed situations
- Implications on sustainability, fair economies, and climate change
- Implications of the current situation on the risk transfer debate
- The profession's ability to support Government in its assessment of economic impacts and subsequent potential action

2

IFoA profile and concerns

As well as many supportive messages of the ICAT initiative, respondents mentioned how the current situation is an ideal opportunity for the IFoA to raise its profile and help the government and other organisations deal with the implications not just of the pandemic, but to assist in other decisions. There were also reminders of the impact of the virus on our own members in relation to mental health and how it has impacted students / exams.

4

ICAT

Other comments provided suggestions on how to get the ICAT working quickly and making progress and suggestions on how best to communicate workstream results.



Institute
and Faculty
of Actuaries

The views expressed in this publication are those of invited contributors and not necessarily those of the IFoA. The IFoA do not endorse any of the views stated, nor any claims or representations made in this publication and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this publication.

The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this publication be reproduced without the written permission of the IFoA.

Survey results analysed and presented by Kirstin Cam, Julie Pallister, Holly Steward, and Randall Wright.



Institute
and Faculty
of Actuaries