

Statement of Intent (SOI) for IAA Activities on Pandemics

Ratified by Council on 8 April 2022

1. Background

The COVID-19 pandemic caught the world off-guard, and has exposed a range of social, economic, and environmental risks. While there is significant uncertainty regarding the immediate effects of these risks, their longer-term impacts, for example on mortality, morbidity, and other societal factors, remain unclear. A notable consequence of the pandemic has been its uneven impact on global society leading to an increase in inequality within and between nations with respect to factors such as risk protection, economic well-being and healthcare access. The COVID-19 pandemic is not yet over but there is heightened concern about the likelihood of future pandemics and their associated repercussions and threats. Actuaries have central roles in designing and managing financial security programs and therefore have an important role to play in providing insight on the COVID-19 experience and in providing guidance regarding future pandemic-related risks, pandemic preparedness, and the sound design of financial security programs.

Several supranational organizations, including the following key IAA Partners, have started their search for increased knowledge and are expecting actuaries to contribute. Recent initiatives include:

- ❖ **IAIS** – Results of a stock-take of the impact of the pandemic on supervisors are expected in early 2022. Work may draw on lessons learned from other types of catastrophic risks including climate risk.
 - IAIS suggested topics for the IAA to consider include:
 - Better defining insurability and the key question of which risks (or portion thereof) might be uninsurable
 - Appropriate steps to help deal with crises such as the pandemic
 - Catastrophe modelling
 - Links to other types of catastrophes including climate and cyber risk
- ❖ **OECD** – [Responding to the Covid-19 and pandemic protection gap in insurance](#) – March 2021
 - The OECD asked the IAA to provide comments on their draft report on the Impact of the COVID-19 Pandemic on Mortality and Life Expectancy which was discussed at their Working Party meetings in December 2021. In addition, the OECD has requested the IAA to assist with communicating the findings/proposals in its report to policy makers.

Actuarial associations have also started to produce work on pandemic topics. Links to examples of such work is set out in [Appendix 2](#).

A strategic need has been identified by the SPC, and approved as a possible new initiative by Council (in May 2021), to develop strategies to address pandemic-related risks, and to seek opportunities to provide input to pandemic-related risk initiatives of key supranational partners.

2. The Need for Involvement at the level of the IAA

COVID-19 has had a global impact - most aspects of the pandemic risk cannot be confined to a specific region, nation, political, economic, or social system. Similarly, the actuarial implications are not confined to any specific practice area. Consequently, there is opportunity and a need for the actuarial profession to be involved at a global level.

One of the IAA's strategic objectives is to inform and influence global stakeholders in the public interest, representing the actuarial profession at the international level. The IAA being the worldwide association of professional actuarial associations, the IAA is well placed to be involved at the international level, working jointly with supranational organisations and with the support of FMA's resources when possible. This should help to advance and promote the role of actuarial expertise, and positively impact the actuarial profession globally.

3. Purpose of the Proposed IAA Activities

The pandemic has not only resulted in additional mortality and morbidity, but it has also disrupted the way we work, travel, trade and conduct our daily lives. These additional ripple effects from the pandemic are not expected to be merely transitory but may be long-lasting as they may result in permanent shifts in behavior and commerce. While financial protection systems have played an important role in providing various forms of protection against some aspects of the pandemic, they too have been impacted by the pandemic. The exact nature of their impact varies significantly by type of financial protection system and the coverage provided to their customers/members. However, there is emerging evidence of issues to be addressed such as protection gaps, appropriate product design and pricing, effective risk management, supervision requirements, public/private risk sharing of catastrophe risk and fair distribution of the impacts on claim experience (both positive and negative).

IAA activities aim to promote collaboration with key stakeholders globally to identify, develop and support sound approaches to financial protection (e.g., insurance, private pensions, social security, health care insurance etc.) against the broad implications of pandemic-related risks.

The types of outputs we foresee should:

- Coordinate and facilitate the interchange and communication of relevant information within the profession globally, thus adding value to the separate contributions of our FMAs;
- Consolidate global actuarial contributions to support the work of supranational bodies engaged in responding to the implications of the pandemic on financial protection systems which may include, for example,
 - Protection gaps
 - Features of sustainable financial protection systems
 - Considerations in public/private sharing of pandemic or other catastrophic risks

- Implications for improved risk management by financial protection systems on both a macro (global) level and on a micro level such as internal risk management, financial reporting, and prudential regulation in this area, as well as provide forum(s) for discussion;
- Improve the understanding of both the role and limitations of financial protection systems and the resulting issues for society;
- Gain deeper insight into how the COVID-19 pandemic evolved into a global catastrophe and identify key elements of the process so that future pandemics or even similar future events that have the same paralysing effect can be predicted and/or mitigated.

We also foresee progress in attaining the following indirect objectives:

- Wider awareness of the potential impacts of the pandemic on financial protection system risk management, reporting and disclosure;
- Increased recognition for the potential contribution of actuaries as risk experts on the part of supranational bodies, government agencies, industry and the public; and
- Development of the actuarial profession's skill sets and capabilities to assist key stakeholders in managing pandemic-related risks.

In order to achieve these objectives, the IAA will coordinate work being done within the actuarial profession and work in collaboration with other professionals and related groups, who are also addressing the broader implications of the pandemic on financial protection systems. Actuaries should strive to identify gaps in available information that should be filled by suitable experts in applicable fields.

4. Scope and Content

While consideration of pandemics has long been an aspect in the design of mortality assumptions used in a variety of financial protection systems (e.g., insurance, private pensions, social security, health care etc.) the current pandemic has brought to light broader systemic issues not previously addressed in sufficient depth by the global actuarial profession. The issues arising from this pandemic have reached systemic levels due to the complex and highly inter-connected nature of human activity and commerce in the world currently. Consequently, there are several public interest issues (e.g., protection gaps, insurance affordability, inequalities, public/private risk sharing etc.) now being considered by important stakeholders of the actuarial profession (e.g., OECD, IAIS etc.).

This SOI proposes that the IAA, acting as the global voice of the actuarial profession, undertakes a series of activities that will focus and prioritize our voice on pandemic-related issues as follows:

- Only address issues in the public interest and in which the actuarial profession adds value
- Reflect on the pandemic related concerns and work priorities of stakeholders (e.g., OECD, IAIS etc.)
- Build on, support and coordinate with the work of member FMA's on these issues
- As a priority, address issues in each of the key areas of insurance, employee benefits, private pensions, social security and health care
- Recognize the need to conduct this IAA work within its current staff and volunteer

resources through the re-focusing of effort by various contributing committees, forums, sections etc.

5. Activities and Timeline

This SOI proposes a range of IAA activities, **leveraging off the work already taking place**. The proposed activities are intended as a step-by-step plan towards achieving the purpose described in Section 3.

All activities should aim to add value to the member association deliveries, considering what the member associations have been doing so far, and are expecting to deliver in the future.

Strategic Objective	Activity	Timeline
Impact	<ul style="list-style-type: none"> Proactively engage with relevant Supranational Organizations via Relationship Managers to stay informed and learn about opportunities to collaborate or contribute. EC TF to prioritize IAA work based on a combination of Supra input, FMA expertise and decision making regarding the most valuable topics for the IAA to address. <p><i>Note: Currently there are two active requests: OECD – Impact on Mortality; IAIS – Protection Gaps</i></p>	<p>Start in Q1 2022 and then ongoing</p> <p><i>IAA timeline will depend on the OECD and IAIS timelines</i></p>
Advance	<ul style="list-style-type: none"> Encourage FMAs to share information and experience. Identify topics of global relevance, pool FMA expertise and resources adding value to the work of FMAs, and present them more widely via webinars, discussion forums etc. (IAA Committees/Forums) Arrange a roundtable event at the ICA in Australia Develop a limited number of short (20-30 page) non-technical papers aimed at supranational audiences to provide meaningful insights into a few key public interest issues (e.g., inequality, protection gaps, mortality)¹ 	<p>2022</p> <p>2023</p> <p>2022-2023</p>
Assure	Pandemic risk (with ripple/systemic effects) modeling development to be shared within the profession and help smaller FMAs to enhance knowledge	2022/2023
Sections	Encourage research into technical issues related to the scope of this initiative; share meaningful results with key stakeholders	2022/2023

6. Resources Needed

The actual work is expected to be conducted through an appropriate combination of IAA groups and FMAs, working in collaboration (e.g., IRC for coordination with IAIS, and Advance

¹ These papers should follow the [IAA guidelines for Publications](#) and the [Communications Subcommittee Guidelines for peer review and readability](#). The PTF will also review and consider the former Mortality Working Group’s draft paper on Pandemics to the extent possible when drafting these papers

Committee and Forums). Joint projects with supranational organizations will be considered when appropriate.

It is anticipated that most of the work will be done by teams of 4 to 5 people (co-ordinated by the PTF) through email exchanges and conference calls. Some coordination and secretarial support will be required from the IAA Secretariat, but this should not represent a significant demand on the Secretariat staff.

As progress is made, the IAA could be asked to present the result of its work to supranational organizations or at the ICA 2023, as such travel expenses may be incurred (not more than 15,000 CAD) if deemed necessary.

In summary, only a slight increase in the IAA budget to support this initiative is anticipated and benefits are expected to far exceed such additional expenses. This is feasible by using dedicated IAA volunteer teams of 3 to 4 people per deliverable, by leveraging the work done or intended to be done by FMA teams, and by coordinating with other IAA entities.

7. Next Steps

A time limited EC Task Force should be established with a mandate to oversee the implementation of the proposed activities in accordance with this SOI. The Task Force should have a term two years and its performance would be routinely assessed by the EC.

Appendix 1

LIST OF POTENTIAL TOPICS

1. PANDEMIC KNOWLEDGE GATHERING
 - a. Mortality impact in 2020, 2021 and 2022
 - b. Mortality offsets in future years (as some of the weaker population has died earlier)
– extent to which higher mortality in 2020-22 and future pandemic risk will affect future mortality improvement scenarios
 - c. Potential for future global pandemics of similar magnitude
 - d. Disability / Hospitalisation (impact on public and private health systems)
 - e. Long COVID
 - f. Mental health
 - g. Advances in vaccine technology as result of Covid-19
 - h. Economic shock (financial market impact and GDP impact)
 - i. Population behavior toward mitigation and adaptation measures
 - j. Increase in inequalities within countries and between countries (access to vaccines, loss of employment, poverty)
2. IMPACTS ON INSURANCE
 - a. Life Insurance
 - i. Mortality and disability coverage + limitations
 - ii. Premium payments
 - iii. Asset returns
 - b. General Insurance
 - i. Travel insurance
 - ii. Business interruption limitations
 - iii. Premium payments
 - iv. Motor insurance
3. IMPACTS ON Pensions and Social Security
 - i. Mortality impact
 - ii. Effect on benefit outgo
 - iii. Asset returns
 - iv. Impact on solvency of private pension plans
 - v. Impact on future financial viability of social security systems
4. COVERAGE REDUCTION ISSUE/Business interruption
 - a. Systematic risks
 - b. Private vs Public
5. RELATED FACTORS
 - a. Impact of connectivity
 - b. Impact of governments' measures
 - c. Climate Change
 - d. Biodiversity
 - e. Education needs/Behavior changes
 - f. Cyber Risk

Appendix 2

Actuarial associations have also started to produce work on pandemic topics. Here is a sample of such work:

CAS – [On insurability and transfer of pandemic business interruption risk](#) – 2021

IFoA - [A need for speed for the COVID-19 Actuaries Response Group | The Actuary](#)
<https://www.covid-arg.com/>

CIA – Work on mortality and morbidity COVID-19 experience published on “Seeing beyond risk” website <https://www.seeingbeyondrisk.ca/tag/covid-19/>

SoA - <https://www.soa.org/programs/covid-19/research-podcast/#research>

AAE - [Insurability-of-pandemic.pdf \(actuary.eu\)](#) – June 2021

Looking at issues such as:

- The relative roles of the public and private sectors
- Challenges in modelling and quantifying risk
- Appropriate layers of protection
- Loss quantification
- Mutuality vs solidarity

AI (Australia) - COVID 19 working group that has produced papers on risk management, mortality, morbidity, business interruption, stress testing
<https://www.actuaries.asn.au/microsites/pandemics-resource-centre>