IAIS Consultation

Print view of your comments on "Request for feedback on the Impact of Covid-19" - Date: 04.09.2020, Time: 18:38

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Treat my comments as confidential	No

	Question
	1. How will Covid-19 affect the financial system and the insurance sector specifically over the short, medium and longer term?
Answer	The COVID-19 pandemic has significantly impacted all nations around the globe. While COVID-19 has had an immediate impact on the morbidity and mortality of those infected, the pandemic has also affected most aspects of daily life and commerce around the globe, including the general economy, the financial system and the insurance sector specifically. The resulting unemployment and economic decline have possibly had a bigger effect than the costs of mortality and morbidity. COVID-19's global impact has been unprecedented in comparison with recent pandemics. The nature and extent of its impact vary by geography and type of human activity but most governments, health care providers, businesses and individuals have been forced to respond to the pandemic in very significant ways. While most jurisdictions around the globe are currently experiencing (as of the date of this response) the first or second waves of the pandemic, subsequent waves are expected over the coming year or longer. In the absence of a vaccine, the various measures to control the spread of the pandemic will need to remain in place. There may also be secondary impacts evolving as a result of the primary healthcare focus on COVID-19 and the deferment of treatment for other non-emergency illnesses or health problems. In combination with other mental health or physical wellness issues arising from working at home and social distancing, there may be additional mortality/morbidity issues in the medium to longer term for some segments of the population. Clearly, COVID-19 is having and will likely have significant impact on daily life in the short, medium and longer term. The nature and extent of the COVID-19 impact is due to, - Nature of the virus itself, - Manner of transmission, - Rate of infection, - Manifestation as an illness, - Possible longer-term effects even after recovery, - How governments, other relevant national and international organizations and the public at large have responded to the unfolding pandemic within their jurisdictions/scope. - Once a vaccine and/or specific medicine is developed, then COVID-19 may have an impact similar to the flu. The length of the period before an effective vaccine is widely available will be an important determinant of the overall impact. This impact may vary by country, as the wealthier countries may end up with faster access to vaccines. However, it is also important to note the conditions existing in 2020 which have magnified the speed of transmission as well as the extent of its impact. These latter conditions include the extent and ease of international and long-distance domestic air travel for business and tourism as well as the extent to which businesses are reliant on international and long-distance domestic customers and supply chains. While it is beyond the scope of this response to list all of the effects that COVID-19 has had on the financial system and the insurance sector specifically, the following are some observations: 1. Financial system (including general economy and financial markets) Unemployment – The requirements of public health authorities for the public to maintain social distancing and/or in quarantine have noticeably disrupted individuals and their ability to work. This has resulted in increased unemployment among many, but not all forms of employment (e.g., airline vs health care industries). The impact of the pandemic on small businesses has been particularly harsh. The direct and indirect consequences of COVID-19 related unemployment include, o Lower/changed levels of consumer

behavior/spending in many areas but not all. For example, individuals social distancing at home have spent more on home renovation projects, e-commerce and at grocery stores (i.e., shopping in-person or via home deliveries). o Reduced levels of tax remittances to governments from businesses hard hit by COVID-19. o In many countries personal income may be up but wages and salaries are down. This is due to government support/stimulus payments made to individuals and/or businesses.

Government stimulus - Governments will continue in the short and medium term to add stimulus through wage and business subsidies. Over the long term, this may result in an increase in interest rates and inflation. In light of the consequent huge increases in government debt, governments are balancing the conflicting needs of stimulating the economy through continued financial support to businesses and individuals versus the eventual need to service and pay down the burgeoning government debt. With noticeable reductions in economic growth during the early stages of the pandemic, the transition from stimulus to debt reduction may require careful management and be difficult to forecast. There may also be a need for debt restructuring for some of the less wealthy countries.

Consumer behavior and spending – As of the date of this response, the pandemic has noticeably shifted consumer behavior and spending patterns. Due to the requirements for social distancing and/or quarantine, consumer spending on categories such as travel, tourism, vacation, dining out, entertainment etc., have reduced considerably. The affected businesses have struggled with the sudden drop in revenue and have been forced to lay off employees, shut down temporarily or even declare insolvency. Not all types of consumer spending have declined. For example, home renovation projects have seen a spike during the pandemic leading to a shortage of building materials in some countries. Changes in consumer spending have required businesses to review not only their immediate pandemic response but also their long-term strategies due to long lasting changes in consumer spending. Of course, there is uncertainty as to what the new “normal" will be in consumer spending. This in turn creates uncertainty for business planning and also for the financial markets. Government stimulus programs have helped individuals whose income was affected by COVID-19. Consumer spending may again be affected depending on whether these programs are wound down or continued. As the spread of COVID-19 is better controlled, illnesses are cured by new medical treatment/medicine and when a reliable vaccine is developed in the next 1-2 years, consumer spending may be expected to recover although some of the changes triggered by the pandemic (e.g., on-line shopping) will likely continue.

Equity markets – On February 12, 2020, the Dow Jones Industrial Average, the NASDAQ Composite, and S&P 500 Index all finished at record highs. However, between February 24-28 stock markets worldwide reported their largest one-week declines since the 2008 financial crisis, thus entering a correction. During early March global markets became extremely volatile. On March 9th, most global markets reported severe contractions, mainly in response to the COVID-19 pandemic and an oil price war between Russia and the OPEC countries led by Saudi Arabia. This was the worst drop since the 2008 Global Financial Crisis. As of the date of this response, the Dow Jones has since regained the value lost earlier in the year, in part reflecting investor optimism for a COVID-19 vaccine. Stock market recovery will be helped as central banks purchase risky assets and keep interest rates low. However, the recovery in stock values is industry and company specific. For example, travel company, hotel chain and airline businesses may not yet have recovered from their 2020 lows. Further the pandemic has resulted in insolvencies, both large and small (e.g., some clothing retailers) thus altering the competitive marketplace in some industries.

Real estate – COVID-19 has had a profound impact on real estate markets both commercial and residential. The combined effects of working from home, social distancing rules, changed consumer behavior/spending, unemployment and government subsidies have profoundly affected the values of different types of real estate properties. Time will tell if these trends are temporary or may be permanent.

Economic growth – Many countries have reported drops in their second quarter GDP due to COVID-19. While economic recovery is expected, its speed and strength will depend on the control of COVID-19, both its current and future waves.

Global trading relationships – COVID-19 has caused countries to protect their citizens by closing their borders to non-essential travel by individuals and also to accumulate protection items against the virus. In combination with the pandemic related overall reduction in global activity, businesses and governments have begun to examine the extent and nature of their global supply chains and trading relationships. This may result in the “on-shoring" and diversification of some parts of these supply chains or trading relationships in order to prevent future disruptions from affecting the ultimate delivery of their product or service to their customers.

Inflation and interest rates – In the near short and medium term governments will seek to maintain the current low levels of interest rates due to their high levels of debt and the debt carried by their citizens on housing as well as personal debt during the pandemic. Investors are likely to seek higher returns from riskier assets. Indeed, as the credit quality of sovereign and/or corporate debt declines, increases in the credit spread above risk free rates are being observed. While the widening of the spreads is occurring, it may not yet be to levels larger than observed in the past. If inflationary pressures arise as a result of COVID-19, further upward pressure will be placed on interest rates.

2.Insurance Sector - Health

Data issues - There may be challenges in correctly attributing health outcome data between COVID-19 and other causes due to inconsistent recording of the primary cause. This data may also be skewed by other (non-COVID-19) maladies and non-critical treatments which may receive delayed treatment due to health care capacity shortages resulting from COVID-19. Such delayed treatment may allow these conditions to become worse before being treated. Conversely, early COVID-19 deaths may have relieved health insurers of costly long term care for those same individuals.

Pricing - The increased cost of COVID-19 medications and treatment schemes will need to be considered in health insurance pricing.

Policy terms and conditions - Insurers will need to consider their policy terms and conditions, and underwriting practices, including the possibility of more claim-time underwriting in light of COVID-19. It is likely that health insurance customers and insurers alike will seek changes in health coverages, especially due to COVID-19 related illnesses.

Social distancing and working from home – The shift to social distancing and working from home for many months may give rise to increased mental health issues and claims. To the extent that COVID-19 has disrupted customary patterns of maintaining physical fitness then overall wellness may also be affected. This could have secondary effects in terms of lifestyle diseases (e.g. hypertension, diabetes, obesity etc.) in the medium and longer term. At the same time, social distancing will lead to a greater use of on-line tools for health insurance purchase, underwriting and various biometric tests. Some of these tools may require supervisory review and/or approval before use.

Short term effects - In the short term, for health insurers specifically, lower levels of claims in Q2 2020 may be due to people not being able to get treated or perhaps lower rates of infection from other communicable diseases as individuals are subject to social distancing and/or quarantining. There have been some very heavy months of catch-up on claim treatments since lock-down. Part of this catch-up may be due to the difficulty and/or reticence of individuals in accessing their physician for an in-person appointment. Some health insurance providers are paying rebates to policyholders for the period during which treatment wasn’t available. There is likely to be some consumer pressure to bring the rest of the market in line on this.

Medium term effects - In the medium term, uncertainty regarding the future economic outlook will impact on insurers’ ability to plan and potentially restrict investment decisions/opportunities. Consumer uncertainty and increased unemployment will impact premium volumes (sales down and cancellations up in some classes). Sales are likely to increase after Government wage subsidies expire and underlying (real) unemployment levels come to fruition, particularly for optional products such as private health insurance. With increased awareness of pandemics and the need for health insurance protection, insurers will need to review their contract terms and conditions as well as underwriting processes.

Longer term effects - In the longer term there is potential for more longer-term disability and life insurance claims, reserving and profitability impacts. Interest rates are likely to remain low and possibly negative in some jurisdictions. Projections of solvency over the next 3 years may be difficult (e.g., estimating future policy counts and premium volumes, more rapid claim inflation due to financial pressure on providers causing them to increase prices, investment performance etc.).

3. Insurance Sector – General (excluding Health)

Business interruption (BI) insurance - BI is a class of coverage that has been significantly affected by COVID-19. BI contracts were not initially designed with COVID-19 in mind. While some contracts were written with pandemic exclusions, others were not. Many insurers have coverage wordings that clearly indicate that BI coverage must relate to an insured peril, such as fire or windstorm. If the pandemic isn’t an insured peril or if it is unclear it is an insured peril, then disputes have arisen or may arise in the future. Due to the scale of BI losses, insurers offering such coverage have been under significant pressure from policyholders and some governments to provide COVID-19 related claims relief. Going forward, general insurers will need to review their contract terms and conditions, pricing and underwriting practices for BI insurance.

Non-diversifiable risk - COVID-19 is not diversifiable, in a geographic sense, however, an insurer’s exposure and also profitability depends on its line of business mix.

Data issues - Data analysis for the general insurance sector will be difficult for the next couple of years until a new “normal" (i.e., a year or so after either an effective vaccine or effective treatment is widespread) is achieved. This may be an issue within and across jurisdictions. For example, are claim counts down because there were fewer events, or because there were fewer filings due to courts being shut down or lawyers having their offices temporarily closed? Injured worker severities may be up, but how much of that is due to difficulties in getting medical treatment vs. the reluctance of the lucky few that are employed to file smaller claims? Also, layoffs tend to affect the more recent hires, so those still working are probably more experienced, but also older. Recovery times for older injured workers tend to be longer. As a further example, in the US, statistics relating to COVID-19 are kept inconsistently. Even if a person was killed by a car accident, if they had previously tested positive for COVID-19, the cause of death may be listed as COVID-19 instead of the car accident.

Calamities - COVID-19 may trigger a greater interest in calamities and how to deal with them from both actuarial and supervisory perspectives.

Usage-based insurance - The reduced use of automobiles during the pandemic may accelerate the move already underway toward usage-based insurance. A similar move to “per use" exposure is occurring in other coverages.

Travel insurance - The need for travel insurance (which clearly is closely related to health insurance) will decline during the pandemic as a result of the decline in tourism. Policy terms and conditions related to pandemics will be more closely evaluated by both insurers and customers.

Cyber insurance - There will be faster uptake in cyber and communications insurance, both in scope and in new related technologies. New coverages will include those related to on-line commerce, reflecting a shift away from traditional forms of commerce.

Short term effect - The short term effect of COVID-19 on general insurance has been mixed, with the impact varying materially by product and is still somewhat uncertain. Products that have been negatively impacted include travel, event, credit, some business interruption, Directors & Officers (as the Boards of firms are being sued for not protecting their employees sufficiently or not preparing sufficiently). Products helped have included auto insurance, although in the US car thefts are up, even as accidents are down.

Policy terms and conditions - There will be a need for general insurers to tighten up policy terms and conditions. This may be an issue that is less relevant outside the US as prior approval of many policy forms in the US forces more standardization across the industry. Regardless, policy wording tightening up is likely in the next 12 to 18 months (if not sooner) in many parts of the world without prior approval of contract wording.

Policy exclusions – It is possible that a new wave of policy exclusions will be added to general insurance contracts. This has occurred in the past whenever a major event produced large losses (or concerns) on the industry. This was true for hurricanes, asbestos, pollution, riots (in the U.S. in the 1960s) etc. The speed of adoption may be somewhat longer, as the drafting of these may take some time. However, there is also the possibility that pricing will be increased in recognition of pandemic risks, such as happened for AIDS for a few years.

Digital filing - The use of digital filing of claims had already been growing in the industry but will now speed up due to the pandemic.

Premium volume - The impact of COVID-19 on the economy will have an immediate impact on the premium volume for the general insurance industry, as that part of the industry insures activities and assets. As those decrease, the need for insurance decreases. While rate per unit of exposure may go up, the decrease in exposure (activity and assets) will be around for a while.

4. Insurance Sector – Life

Low interest rates - The financial issues noted above, and particularly the availability of government subsidies which will dampen the yield on long term investments, together with IFRS 17 and similar regulations will result in stricter loss protection requirements and higher demand for insurance capital.

Asset volatility/impairment – Values of many types of insurer assets are likely to remain volatile for the foreseeable future. Real estate and property related assets (e.g. including commercial mortgages, mortgage backed securities etc.) will require careful review as the fortunes of lead tenants may have changed substantially due to the pandemic.

Mortality - COVID-19 related deaths will represent an uptick in overall claims for life insurers in 2020. In preparing mortality experience studies going forward, it will be important to provide proper attribution to these deaths. For example, o Is the primary cause of death properly and consistently recorded? o Are the deaths among the elderly (e.g., in retirement homes) to be considered as an increase in the rate of mortality for their age at death or rather an advancement of their date of death? Conversely, the impact of COVID-19 related deaths on the elderly will have a favorable impact on the financial results for insurers providing immediate annuities and long term care insurance, due to the resulting lessened duration annuities and long term care payments, as well as the potential reluctance of insureds to enter long term care facilities.

5. Insurance Sector – Pensions

Lower investment yields - Pensions and savings will be affected negatively, due to the lower investment yields. This of course will increase competition and reduce management fees.

Lower contributions - Pensions and savings will also be negatively affected as individuals and businesses suffer lost wages and income due the pandemic. This may slow the stream of new contributions or even result in an outflow of cash from these funds to soften the economic hardship of COVID-19.

Asset performance - Asset managers will need to review their asset portfolios in light of COVID-19.

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2. What are the key trends, risks and opportunities for the insurance sector in light of Covid-19 ?

Answer

The following are some trends, risks and opportunities in which supervisors may be interested:

Trends

Faster change - Insurers are facing ever faster rates of change. Insurers need to think ahead and ensure their governance and business processes are able to anticipate upcoming change and respond promptly to current developments. Coverages need to meet market demands whilst not exposing insurers to dramatic changes in risk. Technology investment is crucial for insurer operations.

Review of policy terms and conditions – COVID-19 has alerted insurers to the need to review, update and possibly tighten their policy terms and conditions

Increased litigation – There has been increased litigation relating to Business Interruption coverage and to commercial liability coverages where there will likely be litigation by those exposed to or victims of COVID-19. As an example of this latter type of litigation, cruise lines and retailers have been sued by employees that contracted COVID-19.

Increased reputational issues - For insurers, examples include: o Some are positive, for example, waiving of deductibles for certain health insurance claims in the US and around the world premium refunds for reduced driving are being provided voluntarily to motor insurance for personal lines policyholders. o For medical care in the US, tele-visits are being covered where previously they were not, or if covered were not used very often. This provides information about the effectiveness of such visits – early results suggest reasonable outcomes at a lower cost, so this may be an important trend. o Some reputational issues are negative, such as an increased number of disputes over whether there is coverage under a policy.

Increase in direct sales -Direct channels for sales are developing strongly during COVID-19 which may well be a permanent change.

Role of insurance questioned - There will be continued debates on the role of the insurance industry for covering the risk of pandemics. From the general insurance perspective (insuring activities and assets), the industry cannot be the only major player. The scope of the exposure is way too broad for the insurance industry to handle in isolation. “Pooling" cannot work if everyone files a claim at the same time. The only feasible role may be to have the industry administer payments that are based on a parametric trigger, with the industry acting as an agent of the government. With a parametric trigger the payouts can be totally mechanized with minimal strain on industry resources. Only a parametric trigger can allow for fast enough payment – a case-by-case evaluation would overwhelm the available resources. The danger is for a push for a private industry solution to a societal problem of global scope. That would likely stall efforts to address the problem. Insurance supervisors may need to reinforce the basic concepts of risk pooling.

Risks

Further outbreaks - Further waves of the pandemic appear likely as of the date of this response. As the pandemic remains a global issue awaiting a vaccine, a continuing risk is economic and financial market uncertainty for some time to come.

Understanding the changes in risks - Insurers will need to be very careful in pricing and valuation to understand how risks have changed as a result of the virus emerging and given any changes they have made to contract terms and conditions - as well as understanding whether any diversification benefit assumptions they may have been assuming are still valid. Also noting for example being too risk averse in the face of uncertainty could undermine consumer confidence in the benefits of buying the insurance cover.

Litigation – There has been an increase in COVID-19 triggered litigation in various jurisdictions including US, UK and Canada

Workers compensation - COVID-19 as a workplace injury/illness is a big workers' compensation issue in US. There are many COVID-19 claimants, but it is typically hard to verify that they were infected during work.

Riots - More riots around the world over social justice matters – perhaps contributed to by increased unemployment, lockdowns and the disproportionate impact of COVID-19 on minority communities generally (infections, deaths, unemployment, etc.). If such riots continue there will be increased property insurance claims.

Cyber risk - Cyber risk and cyber crime activity have been more prominent during COVID-19 which may provide an opportunity for new insurance products.

Business interruption coverage - Changes in legal/regulatory rulings requiring insurers to provide pandemic related business interruption cover.

Increased mental health issues – These may be of particular relevance to disability insurance as a result of prolonged periods of social distancing and working from home.

Data uncertainty - There is uncertainty as to the degree to which COVID-19 deaths have been amongst those whose life expectancy was already very short but it is likely that at least some of those who would otherwise have been expected to die in the next few years, and particularly in 2020 and 2021 have died during the past few months. Annuity writers in particular should be wary of booking profits which may only be minor gains followed by corresponding low mortality later.

Opportunities

New products and services – The many changes in lifestyle due to COVID-19 (e.g. telemedicine, online education, work from home, lower use of public transportation etc.) may bring new opportunities for satisfying and serving the insurance needs of consumers. The crisis heightened the perceived benefits and need for insurance and the industry found additional ways to facilitate remote selling which creates opportunities for insurers to the extent that risks are well priced: a limited underwriting policy should cost more than a fully underwritten one but the added claim cost is still not well known.

Data analytics – The COVID-19 pandemic has highlighted the need for careful review and use of various health and mortality outcomes for insurers and consumers alike.

Sustainable insurance – The COVID-19 pandemic has also highlighted the need for greater discussion of the role of insurance and its key concept of risk pooling.

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3. What does this mean for supervisors?

Answer

The IAA offers the following suggestions for supervisors.

Supervisory approach/intensity - Develop an understanding of how insurers have been affected by COVID-19. - Develop an understanding of how firms gain assurance in the integrity of their governance and risk management processes - in particular in understanding the risks they are (or may be) exposed to, what recovery actions are planned should experience deteriorate, and how any internal capital model has been re-calibrated as a result of this pandemic. It may be that resolution plans may be requested should there be a reasonable scenario which could result in recovery not being possible. - Review their supervisory methods of communicating and exchanging information with insurers in light of the very significant impact of COVID-19 on both supervisory and insurer operations. - Balance the need for heightened supervisory intensity due to COVID-19 against other supervisory requirements of supervision intensity with maintaining industry prosperity. Cut some non-essential demands. - Increase the supervisory focus on insurers experiencing weakened solvency and/or market conduct. - Monitor new competitors including potentially unregulated entities with weaker ERM processes. - Be aware that elevated levels of monitoring may be diverting supervisory staff/resources from other projects. - Understand the new pressures being placed on regulated entities. This may require additional supervisory staff education and/or policy review. - So far the COVID-19 issue with business interruption coverage (and to a lesser extent, travel insurance), has caused more focus on market conduct among supervisors. This is likely to be a continuing issue post-COVID-19 and may lead to a standardization of policy wording.

Profitability and solvency - Increase pandemic-related stress testing of insurance companies to help ensure they are adequately capitalized to deal with this and future pandemics. - Future pandemic scenarios should include economic impacts on assets, on employment and on businesses not just the extra cost of deaths/morbidity. - Scan for over-stressed risk concentrations in the reinsurance sector, and counterparty risk in cedants. - Set out expectations for insurer ORSA's and/or capital requirements (if any) as a result of COVID-19, including increased flexibility when justified. - Heightened risk profile currently means that "at risk" insurers are presumably more at risk. - Weakened reinsurer financial performance due to mortality claims and losses from event cancellation, business interruption, credit and surety insurance, as well as by financial market disruption linked to the economic impact of lockdown measures. This follows three years of heightened natural catastrophe losses and increasing US casualty claims, which depressed reinsurers´ returns in 2017-2019. As a result, some reinsurers have already been the subject of negative actions. - Assumed mean-reversion to higher interest rates in solvency measurement is increasingly being called into question. - Stay alert to inflationary trends following quantitative easing.

Operational risks - Review insurer exposure and response to potentially increased operational risks resulting from COVID-19. For example, COVID-19 may have resulted in weaknesses in business conduct, systems, remote working or even with business culture due to reduced personal interaction (especially for new staff or the need for changed procedures). - Heighten focus on cyber risk and fraud. One risk area is the use of home computers by those working from home. Home computers may be more exposed to cyber risks than the computers used by the employees in the office.

Supervisory cooperation and coordination - COVID-19 has demonstrated the value of international (and inter-state) supervisory cooperation - COVID-19 has also demonstrated the need for public-private co-operation with respect to catastrophic events such as pandemics. Supervisors have an important role to play along with governments and the insurance industry. This role is in addition to protecting customers and assessing the solvency of insurers. - Governments/supervisors need to focus more on gaps in coverage and the matter of the public sector shouldering those costs versus the insurance industry. Core principles of sustainable insurance should be maintained in the face of certain societal pressures to the contrary. - In some jurisdictions, supervisors have preserved capital in insurers by restricting the payment of shareholder dividends and/or transfers between companies in a group

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4. What are the main areas you will be focusing on over the coming 1 to 2 years?

Answer

In its June 4th letter to Ms. Marike Komen Brady, Senior Policy Advisor, IAIS, the IAA described its response to COVID-19. The IAA also welcomed the opportunity to participate in the June 25th IAIS Executive Committee Dialogue on COVID-19.

In the June 4th letter the IAA identified possible COVID-19 topics on which it could usefully focus its attention. The topics mentioned were the following: 1. Matters actuaries should be considering when preparing for financial and solvency reporting in these uncertain times. After a major disruption in experience, such as that caused by COVID-19, there is a need to discuss the implications for current claims estimates; risk margins; scenario testing; and solvency reporting (e.g. financial condition testing such as ORSA). 2. Impact of COVID-19 on insurance coverage, gaps and product design. A basic tenet of insurance is that those without a loss pay into the pool to compensate those with a loss. If everyone (or most) have a loss at the same time, then there is no spread of risk. In addition, insurers are likely to restrict the coverage because of the potentially large enduring claims involved. The paper would discuss the options for product design and the implications for cost sharing across society.

Also in the June 4th letter, the IAA raised some additional questions for the IAIS on which the IAA would be willing to collaborate. These questions were as follows: • COVID-19 has highlighted again the insurance gap, particularly in the light of some commentators' views that pandemics are not insurable. Does the IAIS have any thoughts on the role it could play in working with e.g., other supranational organisations on this issue? • Does the IAIS have any thoughts on how recovery from the current crisis could be used to promote a sustainable future?

The IAA was pleased to participate in the June 25th Executive Committee Dialogue with respect to the latter question relating to the promotion of a sustainable future for insurance. During the course of the last few months, the IAA has received considerable feedback from its FMA's regarding the impact of COVID-19 as is evident from our detailed responses to questions 1 through 3. Several of our FMA's are active in considering the implications of COVID-19 on actuarial work. In light of the IAA's most recent gathering of COVID-19 feedback, it is possible that the IAA will also consider some of the following in its future workplans: - Lessons learned from COVID-19 that may be useful elsewhere (e.g. COVID-19 amply demonstrated the speed with which the pandemic could spread and how inter-connected our world has become. This is an important lesson for scenario testing in general and in how to determine the impact of climate risk scenarios in particular.). - Data analysis issues arising from COVID-19 (e.g. COVID-19 deaths – an uptick or premature deaths? Implications for longevity and insurance pricing? Dips in health and/or general insurance claims – what is the true cause? How should pricing/underwriting be affected?) - Lessons learned from COVID-19 for the actuarial function - Governance and risk management practice lessons to be learned from an actuarial perspective - Actuarial perspectives on the roles to be played by insurers, capital markets, public agencies and government in providing financial protection in the event of pandemics/catastrophes.

Following this recent gathering of feedback from our FMA's, the IAA will focus its own COVID-19 work plans on a few targeted topics. In so doing, the IAA seeks to work in coordination with its full member associations (FMAs) on relevant issues and practices. The IAA looks forward to continued coordination with the IAIS on relevant and important COVID-19 related issues.

5. Where do you believe IAIS should focus its work during this period?

Answer

The IAA is pleased to provide the IAIS with the detailed responses to the above 4 questions. In total they indicate that COVID-19 has had a significant impact on both the financial sector generally and the insurance sector specifically. Insurance supervisors play a vital role not only in protecting policyholders but also in supervising insurer solvency and more broadly with respect to the financial sector.

The IAA trusts that these detailed comments will be helpful to the IAIS along with knowledge of the IAA's own plans for work on COVID-19. As mentioned earlier, the IAA would be pleased to collaborate with the IAIS in more depth on one or more specific topics.

Beyond the many detailed comments/suggestions included in our responses to questions 1 through 4, the IAA suggests that the IAIS focus its COVID-19 related response on some (or all) of the following: a) Summary of lessons learned to date from COVID-19 (i.e. practical quick guide for supervisors on the most common lessons learned) b) COVID-19 Implications for supervisors as they apply the ICP's in their work (e.g., Elaborate on developing appropriate scenarios considering the unprecedented lessons learnt from this pandemic) c) Use the recovery from the current crisis to promote a sustainable future for insurance d) Develop a discussion paper regarding the issues arising from insurance gaps resulting from pandemics and catastrophes. e) Collaboration with other supranational organization (such as the IAA), in strengthening the need that only professionally established information is disclosed to the public. f) Collaboration with other supranational organization (such as the IAA), in developing an educational material on matters financial services institutions should be considering when preparing for financial and solvency reporting in uncertain times, in particular after a major disruption in experience g) Develop a discussion paper analyzing the similarities (and differences) between the effects of pandemics and climate change.