



# ACTUARIAL ASSOCIATION OF EUROPE

## COVID-19

Status, business impacts and implications for actuaries

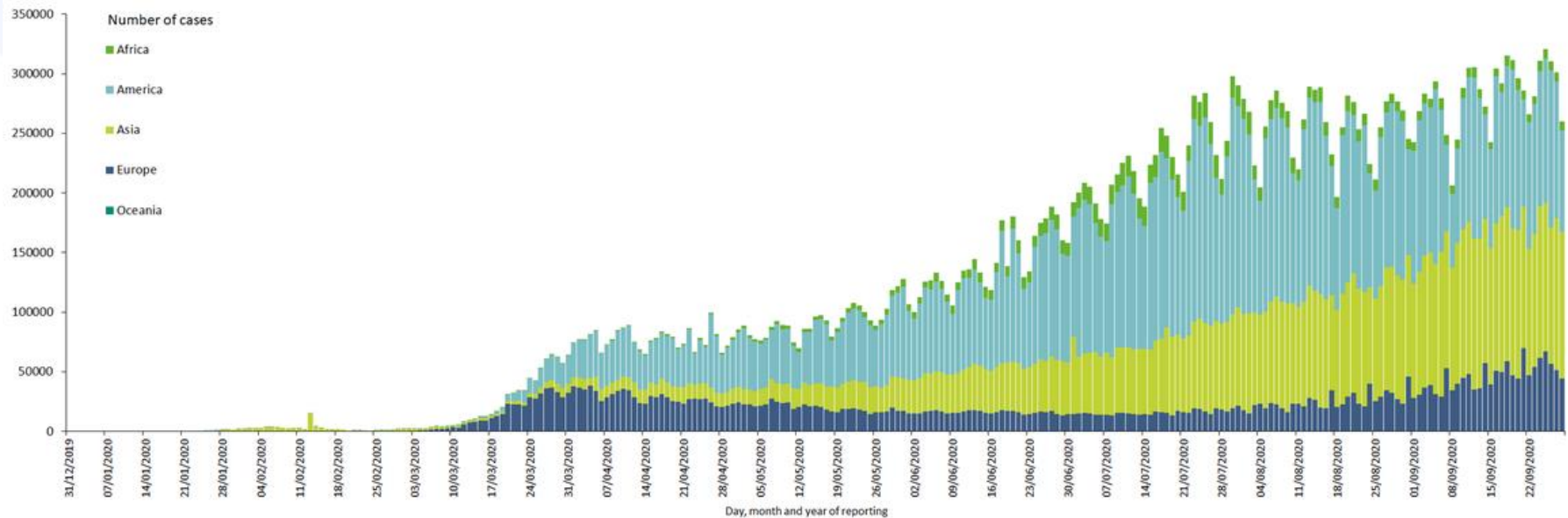
Tony O’Riordan

Joint meeting – Insurance, Pensions, Risk Management Committees

8 October 2020

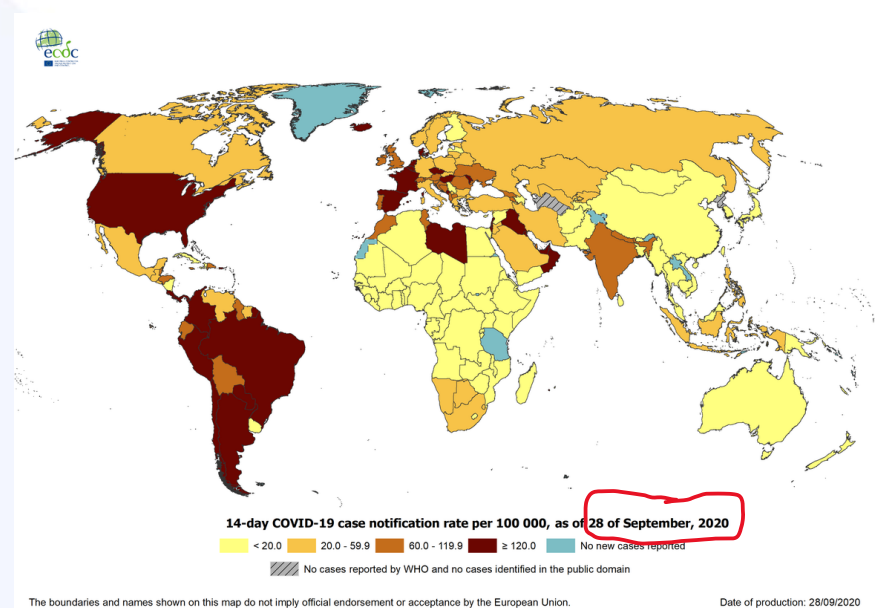
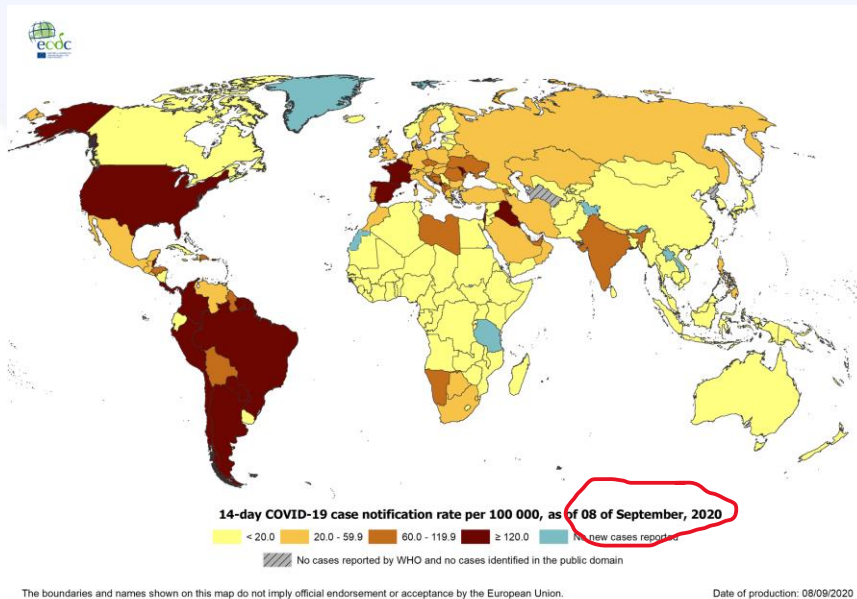
# Distribution of COVID-19 cases worldwide

## 28 September 2020



Source: ECDC

# Geographic distribution of COVID-19

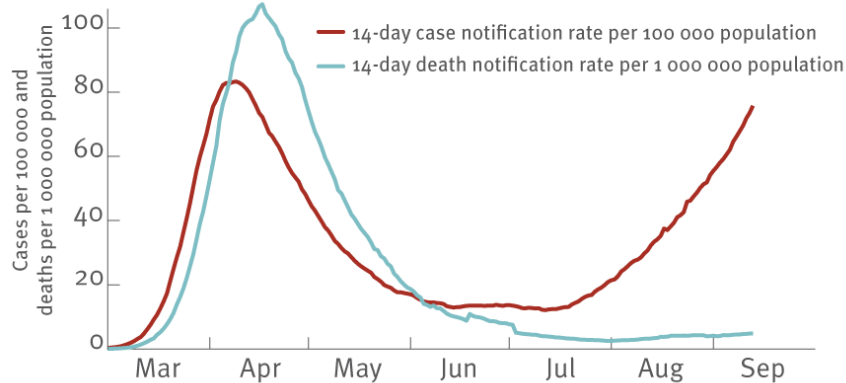


## COVID-19

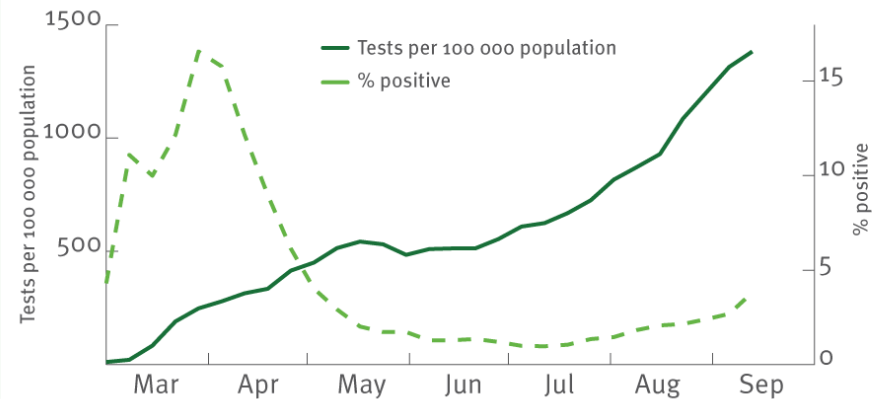
Since July, there has been an increase in the number of COVID-19 cases detected in Europe. This can partly be explained by improved testing strategies. However, this may also indicate that current measures are not sufficient to reduce or control exposure.



EU/EEA and the UK: 14-day COVID-19 case and death notification rates, to week 38



EU/EEA and the UK: testing rate and test positivity (%) to week 38

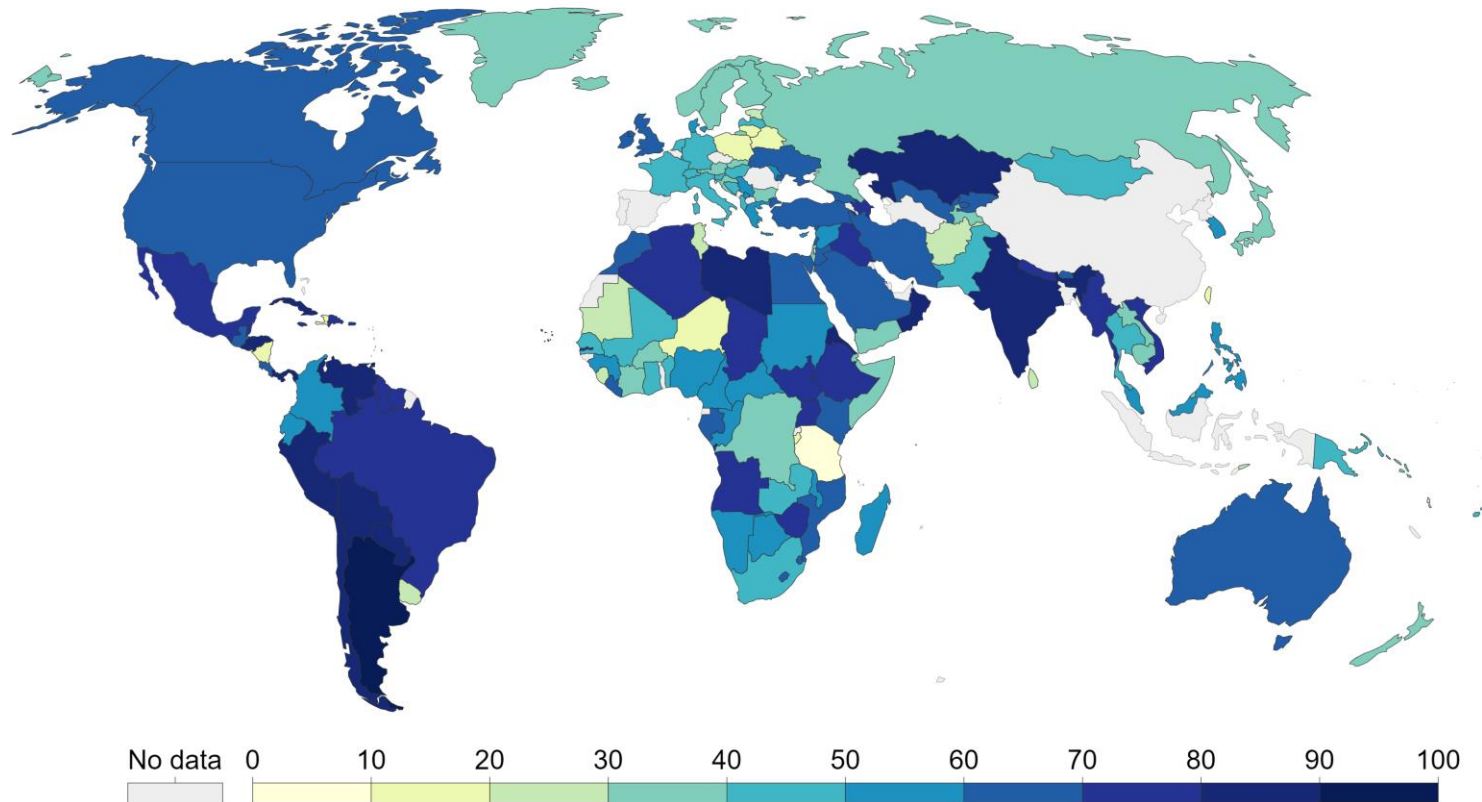


<http://bit.ly/RRACOV12>

#COVID19

## COVID-19: Government Response Stringency Index, Sep 28, 2020

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.



Source: Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker – Last updated 28 September, 19:30 (London time)

Note: This index simply records the number and strictness of government policies, and should not be interpreted as 'scoring' the appropriateness or effectiveness of a country's response.

[OurWorldInData.org/coronavirus](https://OurWorldInData.org/coronavirus) • CC BY



# Excess death rates

## UK has one of the highest excess deaths rates among countries producing comparable data

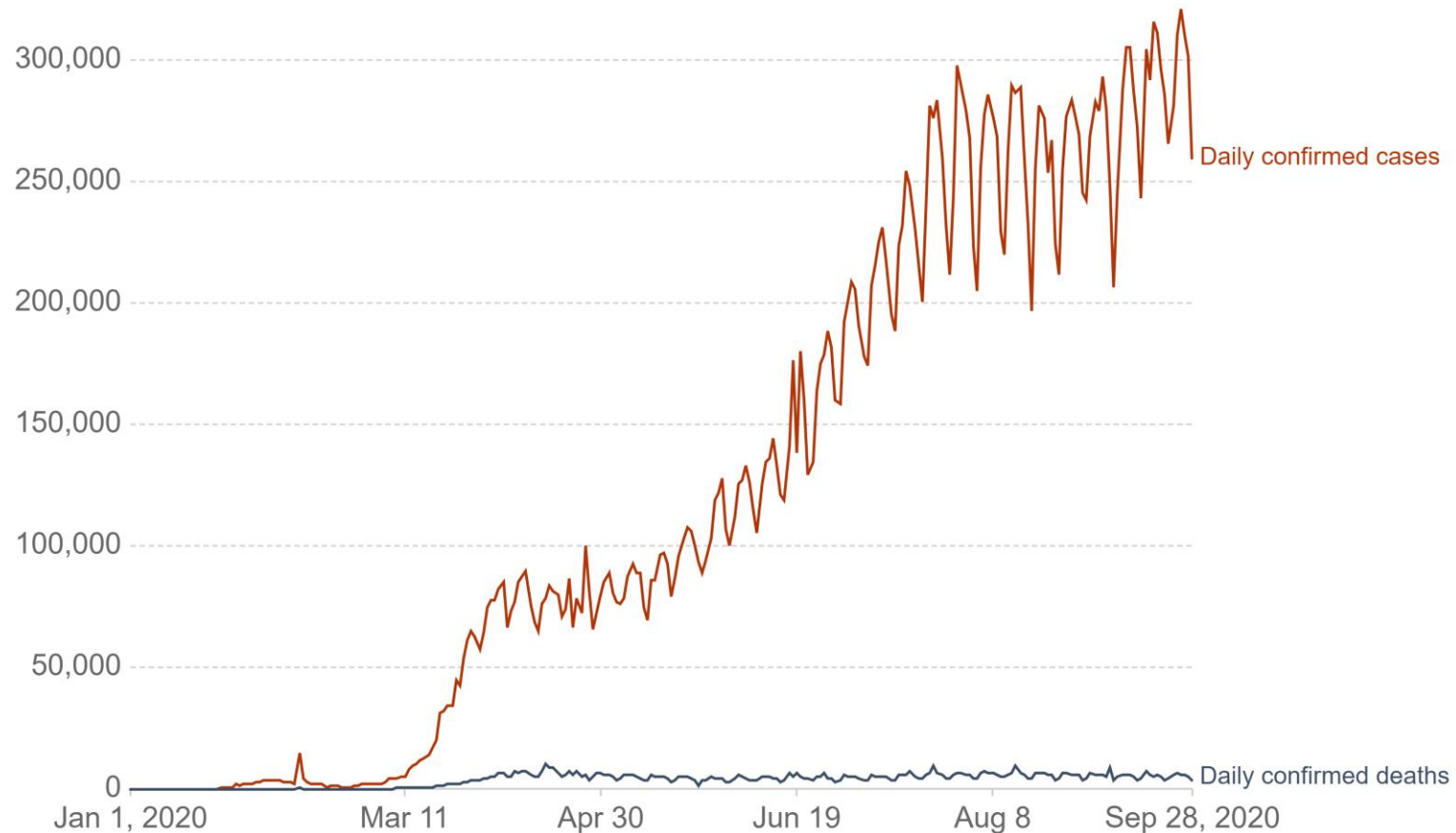
Measures of excess mortality\* by country, during Covid outbreaks



\*Number of deaths observed in excess of historical average for same time of year. Numbers may not reflect latest situation due to lags in registration.  
 Source: FT analysis of mortality data. Data updated September 25. Data is shown for all countries where all-cause mortality figures have been published  
 © FT

# Daily confirmed COVID-19 cases and deaths, World

The confirmed counts shown here are lower than the total counts. The main reason for this is limited testing and challenges in the attribution of the cause of death.



Source: European CDC – Situation Update Worldwide – Last updated 28 September, 10:05 (London time)  
 OurWorldInData.org/coronavirus • CC BY

# General business impacts

- Economic pressures with activity much reduced due to (varying) Covid responses. Retail/hospitality/tourism particularly affected
- Substantially reduced air travel (excluding China, Russia)
- Cessation of F2F interaction and redirection to digital
- Unemployment up
- Negative interest rates (German 10 year -0.43% September 10, down from -0.19% end 2019)
- Investment market volatility (strong recovery from March lows)
- Remote working
- Pressure on health services
- Fiscal responses
- Supplier/value chain management
- Capital raising (c\$20bn across (re)insurance sector (source: Willis Re))



# Impacts on (re)insurers

## Non-life

- Claim pressures on
  - non-damage business interruption
  - travel
  - event cancellation
- Pressures to reduce or refund premiums on certain LoBs
- Importance of digital capabilities

## Life

- Mortality/morbidity
- Retention
- Expense/efficiency
- New business- corporate more stable than personal?
- Underwriting
- Pricing
- Customer measures including payment breaks

# Impact on (re)insurers contd.

## Reinsurers

- Evolution of mortality and morbidity rates (annuities natural offset)
- Clarity of definitions for non-life LoBs
- Pressure from cedants to follow claim positions
- S&P negative outlook

## Common

- Interest rates
- Operating risk
- Investment market volatility

# Regulator reactions

- Latitude vav reporting
- Focus on treatment of customers
- Protection of capital
  - no dividends
  - latitude in event of capital pressures
  - understanding of stresses/risks
- Provision of information on mitigating measures, financials (liquidity, capital coverage, profitability), risks, etc.
- Informal contacts
- Solvency II review delayed

## Areas for consideration for actuaries

- Appropriateness of assumptions
- Impact on products – guaranteed rates, meeting customer expectations
- Implications for budgets, liquidity, cash flow, investment portfolios
- Reinsurance cost and availability
- Reimagine ORSA – recalibrated business plans and Covid-19 appropriate scenarios, e.g. single and double hit scenarios, different shaped recoveries, vaccine/no vaccine

# Implications for European actuaries - Proposed Survey

## *Solvency II in a Covid-19 context*

Given the current Solvency II review in a crisis situation, we aim at launching a survey at EU level to assess the appropriateness of the framework following Covid-19 and identify possible areas of development

### **5 major areas**

1. Countercyclical elements
2. Appropriateness of the standard formula
3. Approach on liquidity and default
4. Recovery
5. National supervisors' initiatives


### **Next steps**

Consult the representatives of the different Actuarial Associations to compare the situations among Member States and contribute to Solvency II reflexions



# Shared resilience solution

- EIOPA/EC conscious of impacts on businesses of economic upheaval
- Lack of NDBI coverage putting intense strain on affected businesses
- Future coverage may include combination of insurer/reinsurer/State/EC involvement
- Questions re
  - coverage definitions
  - different approaches to containment
  - nature of risk
  - criteria for insurability
  - public/private involvement
  - funding.....
- AAE engaging with EIOPA and EC



“COVID-19 will reshape our world.  
We don't yet know when the crisis will end.  
But we can be sure that by the time it does,  
our world will look very different.

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JOSEP BORRELL

**“The greatest danger in times  
of turbulence is not the  
turbulence, it is to act with  
yesterday's logic.”**

-Peter Drucker

