Discussion Document:

Market Conduct matters faced by the Actuarial Profession relating to COVID-19

COVID-19 Task Team (Market Conduct Workstream) of the Actuarial Society of South Africa

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1 SCOPE

The COVID-19 Task Team was established by the Actuarial Society of South Africa to investigate a range of actuarial matters relating to COVID-19 faced by its members. The Task Team consists of Life Insurance, Healthcare and Market Conduct Workstreams.

The role of the Market Conduct Workstream is to:

- Identify market conduct issues that may negatively affect policyholders or bring the Profession into disrepute; and
- Develop recommendations to manage identified market conduct issues.

2 APPROACH

This **discussion document** provides a summary of the market conduct issues considered by the Workstream across the various fields in which actuaries operate. Each section concludes with an **indicative market conduct risk rating of Low, Medium or High** to inform future debate, as well as **recommendations to ASSA**.

Recommendations may include suggestions to Practice Area Committees on educational or research topics, or suggestions where existing guidance (e.g. APN904 on market conduct) could be expanded.

The following high-level principles are noted to contextualise the document:

- Market conduct is assumed to include the broader conduct of actuaries and the Profession as a whole, ranging from **Treating Customers Fairly**, **professional conduct** of members and **Public Interest** responsibilities.
- The document is intended to be a **reference point for further consideration and discussion**. It aims to consider lessons learnt from the COVID-19 pandemic, with the benefit of hindsight, that can be applied in future. **It does not express an opinion on the appropriateness of any actions already taken**.
- The document covers a **broad range of challenges faced by actuaries** since the start of the COVID-19 pandemic, but is **not intended to be exhaustive**.

3 MARKET PERCEPTION

The perceptions of customers and the public of the Profession (including individual actuaries in the public eye), as well as companies, need to be considered. This section provides an overview of general market conduct matters identified by the Workstream that apply to the Profession as a whole and across the different industries within which actuaries operate.

3.1 THE ACTUARIAL PROFESSION

The Profession needs to consider its role in phenomena such as COVID-19 (and other pandemics) in terms of its responsibility to the public (as codified in ASSA's Code of Conduct). In particular, the role that ASSA plays in public debates and analysis may be considered, where ASSA generally limits itself to factual commentary and leaves speculation to other forums. Given ASSA's prominent role and expertise, it may be beneficial to consider a more active role in public debate where appropriate.

The method via which the public is made aware of how the Profession is honouring its public interest responsibilities is, to a great extent, communication. Communication is a particularly important facet of market conduct as it provides a means to influence the reputation of the Profession, broadcast reliable and clear messaging, and share expertise in a way that is useful, educational and, perhaps, reassuring to policyholders and the public at large. The COVID-19 pandemic highlighted the importance of intentional and informed communication, both from individuals in their capacity as members of ASSA and from the Profession itself. To understand lessons learned, conversations were conducted with three actuaries (in South Africa and the UK) who played relatively public roles during the pandemic.

The output of these conversations was a series of questions which have bearing on market conduct. These questions may be used to prompt discussions on guidelines and ideas that may be implemented in future pandemics or states of disaster.

- Where can actuaries add value?
  - Should we be advising policymakers or rather be a technical resource upon which they draw as necessary?
  - What are the areas of core actuarial expertise that can be applied to these situations (and what should be left to experts in other fields)?
  - How does our professional obligation to act in the public interest balance with the need for adequate and sustainable risk mitigation and protection?
- What should the content and frequency of messaging to the public be?
  - Building on work already done as part of ASSA's PR strategy, how should we enlist the help of PR/marketing/communications/psychology experts to optimise potential marketing opportunities for the Profession?
  - Is there value in presenting an analysis of experience as well as forecasts?
- Can we be more organised in terms of capacity/resources/working groups?
  - It has been suggested that the Profession's level of public engagement and public prominence should be proportional to the resources allocated to this work – a lot of work is required to enable a meaningful contribution. This should be taken into consideration when allocating resources and setting objectives around communication.
  - There are lessons to be learned from the UK's COVID-19 Actuaries Response Group regarding communication from actuaries to the public that could be valuable for future pandemics and similar scenarios. Their lessons included:
    - Speed and relevance of response are important. It's better to be broadly right and in time than perfect but late.
    - Prepare as much as possible but don't underestimate the extent to which things will differ in unpredictable ways. For example, if the current pandemic had happened 5-10 years earlier, the rapid shift to working from home might not have been possible.
  - Investigations might be conducted into their operations and which aspects might be relevant to South Africa. The full list of lessons learned regarding communication from the COVID-19 Actuaries Response Group that was shared with this workstream is shared in the appendix.
- How can we fortify the processes and guidance around work done by committees and the ratification of such work by Council?
  - Should work done by various ASSA committees and individuals be supported more formally by ASSA Council, especially when there are opposing voices in the public from other experts incl. actuaries?
  - Is there a need for a formal mandate for vetting work done by committees and adopting it as the "official" ASSA stance?

Further detail regarding the conversations conducted is available on request.

3.1.1 Market conduct risk rating

Medium risk given the deliberately conservative approach taken by ASSA during the pandemic, with the potential to have a bigger positive impact in the public domain.

3.1.2 Recommended action

ASSA Council to review and consider, in the context of pandemic scenarios, where actuaries add value, what the content and frequency of messaging should be and how best to organise resources. In particular, guidance and fortification of processes around committees and Council ratification must be considered. ASSA Council to consider the above questions, to assess potential areas of improvement for the Profession. This may include commissioning further research and/or an ASSA sessional, with potential engagement with regulators on areas of concern where actuarial input could be of value. It is noted that ASSA provided significant input behind the scenes through involvement with Business for South Africa (B4SA) and issued a number of media releases.

3.2 Regulated Entities

Further consideration needs to be given to the public's perception of regulated entities in which actuaries operate e.g. insurance companies and healthcare funders. This includes the direct impacts of COVID-19 on customers, including claims experience, premium and contribution holidays, treatment support, and the provision and support of vaccination sites.

3.2.1 Information Sharing in the Industry

Information sharing is being investigated by the Competition Commission in terms of the Competition Act (Act 89 of 1998, as amended). Consideration was given to COVID-19-specific issues, e.g. information sharing during the pandemic through various ASSA structures. For example, the gathering of mortality/exposure data on a monthly basis was done as part of the Continuous Statistical Investigation (CSI) initiatives, to enable the estimation of excess deaths and other statistics for the life insurance industry.

Bowman Gilfillan provided a note to ASSA with Competition Law guidelines, but this was before the additional context of the recent investigations. The Workstream is not aware of any sharing of sensitive information related to COVID-19 between market participants.

3.2.1.1 Market conduct risk rating

Medium risk given the uncertainty around the investigation, which includes the period since the start of the COVID-19 pandemic.

3.2.1.2 Recommended action

None at this stage. It is the understanding of the Workstream that ASSA Council intends to engage with the Competition Commission after the current investigation is completed. This may inform professional guidance to be followed by actuaries and the various ASSA structures when sharing information.

3.2.2 FSCA expectations: stakeholder communication and premium collection

The FSCA has set out its expectations of regulated entities regarding communication in FSCA Communication 12 of 2020 (General) - Impact of Coronavirus (COVID-19): Expectations on Regulated Entities.

The Communication conveys how insurers should communicate with their internal and external stakeholders regarding business continuity, claims and renewals and lapses.

The FSCA also released FSCA Communication 14 of 2020 (Ins) - Conduct of Business Supervision, which outlined the expectations of the Authority regarding the culture and responsibilities of insurers and financial services providers in respect of premium collection of funeral policies during the COVID-19 crisis. The Communication reflected the Authority's awareness of the impact of COVID-19 on policyholders and the uncertainty that the pandemic created, which they realised could impact on the ability of policyholders to pay premiums.

The requirements outlined in these communications are likely to be imposed in times of future pandemics as well. Failing to meet these minimum requirements would most likely result in market conduct breaches.

3.2.2.1 Market conduct risk rating

Low

3.2.2.2 Recommended action

None at this stage, given that regulated entities are already expected to keep themselves up to date regarding FSCA requirements.

4 LIFE INSURANCE INDUSTRY

This section provides an overview of market conduct matters identified by the Workstream within the Life Insurance industry. This extends to mortality and morbidity products offered by individual and group life insurers.

4.1 UNDERWRITING PRACTICES

A number of underwriting practices were considered by the Workstream.

The role of vaccination status in underwriting:

Based on a review of the Insurance Act, TCF guidance, Policyholder Protection Rules, the Promotion of Equality and Prevention of Unfair Discrimination Act, the Workstream has not identified any regulatory or legal barriers to implementing vaccination status as a rating factor in life insurance underwriting.

Based on ethical frameworks proposed by ASSA members (e.g. The Fair Discrimination Principle developed by AF Marais), the Workstream has not identified ethical concerns regarding the implementation of this factor.

It is therefore likely to be up to individual insurers to decide whether vaccination status (with respect to existing or future vaccines) should be included in their underwriting processes. However, care needs to be taken to ensure that any distinctions between premiums and benefits are actuarially justified at underwriting stage and over time (e.g. if there is a change in the how vaccination status affects claims).

The role of past COVID-19 infections in underwriting:

It is not yet clear how past COVID-19 infections will impact future mortality and particularly disability experience. If severe past COVID-19 is indicative of a higher risk of death of disability, the benefit of underwriting for these risks needs to be weighed up against the fairness of only loading the premiums of a subset of applicants.

The industry responded to underwriting for HIV/AIDS with self-regulation through ASISA guidelines. This will be a useful reference to consider by ASSA if past COVID-19 infections become more prominent in underwriting.

4.1.1 Market conduct risk rating

Medium if these issues are taken out of context in formal or social media platforms

4.1.2 Recommended action

Refer to LAC for consideration if guidance is needed if/how loadings should be reassessed over time.

4.2 Pricing for COVID-19

Endemic COVID-19 (i.e. when COVID-19 becomes a norm within the population) and Long COVID-19 (i.e. long-term impact on health from COVID-19 infection) are emerging risks which actuaries need to consider separately from the pandemic. The uncertain impact that these risks may have on future claims makes it particularly difficult to allow for in long term life insurance pricing, given that rates are often guaranteed for a significant period of time. Actuaries should be encouraged to share research on Endemic and Long COVID to ensure that benefits are adequate and that the associated risk is appropriately assessed.

4.2.1 Market conduct risk rating

Low

4.2.2 Recommended action

At the time of writing, these risks appeared unlikely to become material in the context of life insurance pricing. It is the view of the Workstream that existing legislation and actuarial guidance require rigorous pricing processes. It is, however, noted that the adequacy of any allowance for these risks needs to be monitored going forward. Refer to the LAC for consideration.

4.3 Pricing for Future Pandemics

Pandemic risk is not new to life insurers, although explicit pricing for this risk is expected to become more prevalent in light of the COVID-19 pandemic. In particular, it is expected that life insurers will reassess the levels of allowances given the impact of COVID-19.

4.3.1 Market conduct risk rating

Low

4.3.2 Recommended action

None. It is the view of the Workstream that existing legislation and actuarial guidance require rigorous pricing processes, and it is up to individual actuaries to justify any explicit allowance for future pandemics.

4.4 Management Action incl. Premium Reviews

COVID-19 caused large numbers of excess death claims during 2020 and 2021 across funeral, retail and group insurance books. Risk writers responded to the pandemic by no longer offering certain benefit lines (e.g. sickness benefits), changing underwriting requirements (e.g. loading non-vaccinated applicants, applying stricter underwriting) and adjusting pricing of new business and existing business for COVID-19. Certain smoothed bonus providers removed non-vested bonuses due to negative funding levels of the underlying portfolios.

ASSA issued APN114 on Premium and Benefit Reviews relating to contractually permissible reviews on life insurance policies in terms of premium rates, benefits and claims criteria. The Life Assurance Committee confirmed that this was coincidental and not specifically aimed at the pandemic.

4.4.1 Market conduct risk rating

Low

4.4.2 Recommended action

None. It is the view of the Workstream that existing legislation and actuarial guidance require rigorous premium and benefit review processes.

4.5 Operational Processes incl. Claims Experience

Servicing was severely impacted during COVID-19 due to lock-downs, remote working and extremely high claims volumes impacting access to branches, call centres and turnaround times respectively.

According to the Annual Report from the Ombudsman for Long-Term Insurance (2020): "Insurers, some more so than others, struggled with service delivery during remote working conditions. Consumers, and even this office, often had difficulty in contacting and communicating with insurers. This led to complaints, particularly when claimants were desperate to have claims paid, e.g. under funeral policies."

Press coverage of the South African Customer Satisfaction Index (SAcsi) for Life Insurance was considered: "Two years into the pandemic, it is clear that any excuses given for delivering a lousy customer experience due to the impact of Covid-19 on operations and customer service are moot," said CEO of Consulta, Abigail Boikhutso. "If anything, our lived experiences of the last two years have sharply highlighted the importance and value of life insurance during uncertain times, and this has in turn driven up customer expectations of the performance of their life insurer, and their cover."

The Workstream considered the immense operational challenges in Funeral insurance during the peaks of the pandemic. It was noted that insurers deprioritised answering queries and making changes on policies, with most players focused on claims.

4.5.1 Market conduct risk rating

Low, although COVID-19 has highlighted how a crisis can create havoc with insurance processes, and how that can impact customer outcomes.

4.5.2 Recommended action

None.

4.6 Premium Affordability Management

The Annual Report from the Ombudsman for Long-Term Insurance (2020) noted that many policyholders could not afford to pay premiums either as a result of loss of employment or income and this led to lapsed policies. The Association for Savings and Investment South Africa (ASISA) indicated in a press release that 10.2 million long-term insurance risk policies lapsed in 2020 to illustrate the significance that affordability has on the industry. Although some insurers provided premium relief of one kind or another, this was not universal, and the relief packages were not all equally generous. It is unfortunate when a risk policy lapses but even more so during a pandemic when cover is so crucial.

4.6.1 Market conduct risk rating

Low

4.6.2 Recommended action

None. It is the view of the Workstream that insurers cannot be expected to make non-contractual commitments such as these during a pandemic.

4.7 Credit Life

The Annual Report from the Ombudsman for Long-Term Insurance (2020) noted approximately 36% of complaints which were directly related to COVID-19 or to the lockdown were in respect of credit life benefits, compared to overall complaints where credit life benefits make up c9% of cases. It was further noted that claims for retrenchment and inability to earn an income caused the highest number of complaints, likely due to the economic environment and that these are typically more disputable claims.

A key issue is whether an insurer is obliged to pay a claim for benefits related to an inability to earn an income when an insured receives Temporary Employee/Employer Relief Scheme/TERS payments. The 2021 Annual Report noted that TERS benefits are not considered regular income but rather passive benefits created by the National Disaster Benefit Fund, and the insurer agreed to pay for these loss of income cases.

4.7.1 Market conduct risk rating

Low

4.7.2 Recommended action

None. It is the view of the Workstream that principles-based fairness legislation would enable actuaries to recommend an appropriate course of action on complex legal matters. Legal advice should also be obtained on such matters.

4.8 Microinsurance

Microinsurance operates in a market segment characterised by low sums insured, limited underwriting, and lower barriers to entry for insurers. Microinsurance issues include some of the challenges facing major insurers noted above.

Microinsurance pricing is generally reviewable at short notice, and prices are expected to rise while extra mortality is evident and reduce thereafter to more typical levels. As a result, long term pricing issues are less of an issue in microinsurance.

Microinsurance tends to have little or no underwriting, and it is considered unlikely that vaccination status presents potential market conduct risk.

Issues with claims processing are in common with other parts of the insurance industry.

COVID-19 highlighted the need for life insurance, with many South Africans unable to afford necessary cover. The microinsurance industry aims to provide life insurance at low cost. ASSA has established a Poverty Premium Task Team to investigate this further.

4.8.1 Market conduct risk rating

Low

4.8.2 Recommended action

None

5 Healthcare Industry

This section provides an overview of market conduct matters identified by the Workstream within the Health Insurance industry. This includes medical aids and healthcare products offered by insurers.

5.1 Medical Schemes and Delayed Contribution Increases

Due to elective procedures being cancelled or delayed during COVID-19 lockdowns and pandemic waves, medical schemes generally experienced significant positive underwriting results.

Medical schemes extended their prescribed minimum benefits to include COVID-19 vaccinations. Medical schemes also generally increased benefits somewhat during this time.

Medical schemes generally preferred to provide delayed premium increases, citing the risk of delayed surgeries resurging and/or the impact of delayed treatment increasing morbidity and thus increasing future treatment costs of members.

Although most provided contribution relief of one kind or another, this was not universal, and the relief packages were not all equally generous. It may be argued that more contribution relief could have been provided to support members during tough economic times. However, in general, no significant market conduct issues were identified. Since medical schemes are not for profit entities, it could be argued that past profits will revert to the members (although generational cross-subsidies then occur). Furthermore, given many unknowns, a more cautious approach of not releasing surplus too quickly could be considered good practice.

The risk of increased costs in future due to the impact of delayed treatment and long COVID are possibly emerging risks which may need to be given attention by market participants.

There are some benefit issues to consider relating to coverage of pre-admission testing and PPE on a blanket basis rather than based on latest clinical guidelines. There needs to be a balance between risk aversion and the impact of additional costs.

5.1.1 Market conduct risk rating

Low

5.1.2 Recommended action

Refer to the Healthcare Committee for consideration.

5.2 Endemic COVID and Long COVID

Endemic COVID and Long COVID are emerging risks which Health Insurance actuaries need to consider separately from the pandemic. The uncertain impact that these risks may have on future claims can be allowed for as experience unfolds since contribution levels are reviewed regularly.

Actuaries should be encouraged to share research on Endemic and Long COVID to ensure that benefits are adequate and that the associated risk is appropriately assessed.

5.2.1 Market conduct risk rating

Low

5.2.2 Recommended action

Refer to the Healthcare Committee for consideration.

5.3 Healthcare Products Provided by Insurers

Due to elective procedures being cancelled or delayed during COVID-19 lockdowns and pandemic waves, health insurance products generally experienced significant positive underwriting results akin to medical aids.

Although most provided premium relief of one kind or another, typically through lower premium increases, the relief packages were not overly generous. It may well be that increased profits were utilised by insurers to help offset other underwriting losses. However, no significant market conduct issues were noted.

5.3.1 Market conduct risk rating

Low

5.3.2 Recommended action

Refer to the Healthcare Committee for consideration. In particular, consideration should be given to underwriting, exclusions and benefit structuring.

6 SHORT TERM INSURANCE INDUSTRY

This section provides an overview of market conduct matters identified by the Workstream within the Short Term Insurance industry, excluding products covered above.

6.1 BUSINESS INTERRUPTION COVER

Ordinarily, business interruption cover is only triggered by physical damage to the insured property. However, it can also be triggered by expressly defined events in the policy unrelated to physical damage. As such, unless expressly defined in the policy wording, a contagious and infectious disease event would not result in a valid business interruption claim.

Further, policy wording may be sufficiently tight such that a claim event is still not triggered. This extends to a number of contentions which include the intention of the protection, the cause of the business interruption being lockdown rather than the outbreak of the disease itself and the proximity of the breakout to the business.

A risk emerged where misalignment might have occurred between reinsurance wording and interpretation, relative to insurer wording and interpretation.

Within the market, these policy wording limitations raised several issues as policyholders incorrectly believed that they were indemnified against such an event. This might have been as a result of inappropriate sales of the policies at the time of inception, far prior to the pandemic, as well as an incomplete needs assessment at the point of inception of the policy.

These policy wordings were challenged at the High Court in the Ma-Africa Hotels (Pty) Ltd and Another v Santam Limited case, which determined that "it cannot be said that the nationwide or global events were not contemplated or insured" by the policies, and found in favour of the insured party.

The ruling resulted in a larger number of claims being paid without significant challenge as well as a significant distrust in the Insurance sector.

In the aformentioned case, the Supreme Court of Appeal stated "It is, in our view, hardly possible to imagine a more tortured, convoluted and intricate an approach to the reading of the policy".

In order to avoid such cases in the future, it is expected that business interruption policy wordings will be reviewed to ensure further clarity is provided to the policyholder, including more refined definitions of what triggers cover (definition of loss, aggregation period definitions), as well as ensuring that policyholders are better informed of the cover and the risk events that would trigger it.

6.1.1 Market conduct risk rating

High

6.1.2 Recommended action

A sessional to be held by the STIC to share learnings that can be considered across fields.

6.2 Cyber Insurance

Cyber threats on digital networks in South Africa increased by about tenfold in the week following the declaration of a national state of disaster on March 15, 2020, according to Kaspersky's research published by ITWeb at the time. Due to the low take-up of business and personal cyber insurance, several insurers launched campaigns to educate their policyholders and the general public on the risks posed by cybercrime.

It is expected that insurers and reinsurers will continue to bring more underwriting questions in the placement of cover and focus on clarifying coverage terms and conditions in line with the risks they are prepared to insure. Rate increases are expected to continue as cyber-attacks continue to rise. These could result in a market conduct issue where the coverage is not understood by the policyholder and could result in under-insurance or repudiation of claims.

6.2.1 Market conduct risk rating

Low

6.2.2 Recommended action

STIC to monitor developments across the Short-term insurance industry.

6.3 Household and Commercial Property Insurance

Household and commercial property insurance (cases where homes were converted to workplaces, people having to live/being stuck elsewhere for extended periods). Continuation of coverage could be a market conduct issue for properties that are unoccupied or for possessions that are not in their normal location.

6.3.1 Market conduct risk rating

Low

6.3.2 Recommended action

STIC to monitor.

6.4 Discounts Offered on Motor Insurance Premiums

As a result of the lockdown, motor vehicle insurers responded by offering discounts on motor insurance given the reduced exposure as people were driving less. This further led to dynamic policies where some parts of the premium may be discounted or refunded based on the policyholder electing to change the types of cover via mobile app. While this may provide premium reductions for the policyholder, it raises the issue of the cover in place at the time of a risk event occurring and may bring raise to great anti-selective and moral hazard effects.

This may be further considered by the public in the context of other policies, where the optionality of differing cover at different times based on the policyholder’s own perception of their risk exposure may give rise to greater demand for such a product in other short-term products, as well as in life and health care products. Such demand may result in large shifts in rates, given the naturally anti-selective property of such a product.

6.4.1 Market conduct risk rating

Low

6.4.2 Recommended action

STIC to monitor.

7 Retirement Funding Industry

This section provides an overview of market conduct matters identified by the Workstream within other industries.

7.1 Retirement Funding Affordability Management

Some employers (especially smaller ones) could not afford to pay contributions to retirement funds and requested these funds to allow a contribution holiday. Employers continued to pay the risk benefits premiums (to ensure cover remains in place despite no retirement funding).

In some instances, the funds had to change rules to provide for such holiday. In other cases, reserves held by the Fund (which could be released) were used to finance some of the holiday.

7.1.1 Market conduct risk rating

Low

7.1.2 Recommended action

None. It is the view of the Workstream that such actions are considered on a case by case basis, and funds cannot be expected to make non-contractual commitments such as these during a pandemic.

8 General

This section considers further market conduct matters identified by the Workstream that do not fall under any particular practice area.

8.1 Product Design, Positioning and Literature

A number of products in the market did not behave as a layperson might have expected during the pandemic (e.g. Business Interruption and Credit Life protection). Actuaries should consider not only the risks relating to benefits that are included in a product, but also the consequences of excluding certain benefits. This will be important in identifying gaps in cover to improve product design, or to clarify any excluded risks to clients. Product literature and wordings need careful consideration.

Press coverage of the South African Customer Satisfaction Index (SAcsi) for Life Insurance was considered.

The good news is that the latest SAcsi does show that insurers have made solid headway and that customer loyalty and satisfaction are on the up. "However, we still do see that the hangover of the reputational damage caused by highly publicised claims repudiations – whether in the life or short-term space is irrelevant – remain fairly front and centre for many consumers.

"Any hint of a blunder in respect of the trust and reliability of an insurer is likely to have a significant impact on customer loyalty, and in turn, the overall perception of satisfaction with the insurer. The coming months will demand that insurers become honed across every aspect of the customer journey – from product research, advice, purchase, admin and servicing to claims and renewals," Boikhutso said.

8.1.1 Market conduct risk rating

High. Any differences between actual and perceived coverage of an insurance product should be minimised.

8.1.2 Recommended action

It is recommended that APN904 be updated in this regard. Refer to Market Conduct Committee.

8.2 Windfall Surplus Arising

A number of industries experienced windfall surplus during the COVID-19 pandemic, which required careful consideration around how these should be dealt with going forward. For example, stability is generally preferred in the market and therefore surpluses should be used carefully when limiting future increases, where applicable. This may apply to Healthcare, Short Term and Life (e.g. overly conservative endemic COVID-19 allowance).

8.2.1 Market conduct risk rating

Low

8.2.2 Recommended action

It is recommended that APN904 be updated in this regard. Refer to Market Conduct Committee.

9 Conclusion

This discussion document provides a summary of the market conduct issues considered by the Workstream, including the broader conduct of actuaries and the Profession as a whole during the pandemic. The document is intended to be a reference point for further consideration and discussion and is not intended to be exhaustive.

It is recommended that ASSA Council should review and consider, in the context of pandemic scenarios, where actuaries add value, what the content and frequency of messaging should be and how best to organise resources. In particular, guidance and fortification of processes around committees and Council ratification must be considered.

The following issues have been identified as sources of medium or high market conduct risk and should be considered further by the Profession in preparation for any future pandemics or similar events:

- Market and public perception of the Profession – consider where actuaries could add more value (see section 3.1).
- Information sharing in the industry – consider Competition Commission concerns raised, if any (see section 3.2.1)
- Underwriting practices – potentially the need for further guidance in respect of pandemic loadings (see section 4.1)
- Business interruption cover – the need for a sessional to share learnings and avoid future similar market conduct risks (see section 6.1)
- Product design, positioning and literature – consider updating APN904 (see section 8.1).

It is noted that the above investigations were conducted internally and under the Task Team's terms of reference, even though some external sources were reviewed. The document may form the basis of informing further discussions with external parties to ratify the conclusions and recommendations, or identify further areas of interest to investigate.

The Workstream would like to thank relevant members of the Life Assurance Committee, Short Term Insurance Committee, Healthcare Committee, Retirement Matters Committee, Microinsurance Committee and Market Conduct Committee for their valuable input.

This report was published in July 2023. The ASSA COVID-19 Task Team membership at the date of publication included: Adam Lowe (lead – healthcare workstream), Alex Brownlee, Barry Childs, Claiton Manikai (chair), Karsten Roux (lead – life workstream), Louis Rossouw (vice chair), Michael Davies, Pamela Hellig, Paresh Prema, Phumla Tsematse (secretariat), Roseanne Harris, Sarika Besesar, Siebert Benade (lead – market conduct workstream), Simon Henderson, Thandanani Mbhele, Zandile Gobe (secretariat) and Zane Heyl.

10 Appendix A: Lessons learned from the UK's COVID-19 Actuaries Response Group

10.1 What Went Well

- Don't underestimate how easy it can be to add value in public communications. Some of the "actuarial analysis" we became known for was just sourcing the right data and then dividing one number by another!
- Short, to-the-point comments, visuals and blogs (much shorter and less technical than a traditional actuarial paper!)
- Tailoring the communication style to the platform (i.e. different content for Twitter vs LinkedIn vs Website).
- Consistent data visualisation on regularly reported topics e.g. hospitalisation data, vaccine take-up. The Data visualisation was carefully considered and tested to convey the message easily. Sticking with the same format helped the public get comfortable and familiar with the data.
- Timely response to current topics via social media posts / rapidly written and posted bulletins and blogs. It is rare (but occasionally did happen) that our communications can set/influence the media agenda. More typically it's necessary to gauge where current interest lies and then add to this (where we have something useful to add).
- Responsiveness to new data (typically share analysis within an hour of regular data landing, otherwise often not worth it)
- Responsive on social media to questions and comments from the public
- Professional conduct throughout even in informal communications which is important for retaining credibility and trust
- Gained trust of journalists who then quoted the work / invited members of ARG to comment in print or on radio or TV. Need to be aware of media timelines (if you take two hours to reply to a request they will probably have gone elsewhere).
- Gained trust as a reliable source both for the Actuaries Response Group brand, as well as by individuals.
- Being selective about when to do our own analysis and when to direct our audience to a trusted voice with more relevant expertise (we didn't try to become amateur virologists!)
- Supportive network with diverse views/expertise that gave constructive and at times challenging feedback in private (not full scale formal peer review). Our diversity of views helped us avoid confirmation bias and a drift towards becoming polarised on one side of the "debate" (which was an issue for some expert groups).
- Collaborating with other disciplines e.g. medics, epidemiologists , public health professionals (some members of ARG are from these fields) to gain deeper insight. Important to marry up "top-down" view from data with "bottom-up" view from clinicians, and to understand why if these seem inconsistent

10.2 Potential Areas of Improvement

- Actuaries were little known at the start of the pandemic and were not seen as go-to people for pandemic risk assessment.
- Gaps in the actuarial response in many countries leading others to fill in the narrative. Actuaries can often present the "what" (e.g. death rates among young adults are elevated) but shy away from the "why". Sometimes it's necessary to face into speculation even when we can't be categorical.
- We missed an opportunity early on to build/share our own model of the epidemic that we could use for scenario testing. So we were limited to commenting on others' models.
- Reuse of existing material (aimed at other actuaries) in public facing communications led to misunderstandings. E.g. CMI were showing mortality vs a 10 year average in the mortality monitor - people misconstrued this as CMI viewing the 10 year average as "normal" mortality. It was necessary to change the presentation.

- Missed some opportunities to play a bigger role due to availability (the initial team were all working full time). We could have made more use of other volunteers. Adding fresh blood to the team as the pandemic went on helped us build and maintain our impact.
- We weren't able to make an impact on some media platforms (e.g. Facebook) and didn't attempt to tackle video channels such as YouTube where misinformation has spread.
- We could have acted quicker. The individuals who formed the ARG waited for weeks for "the Profession" to formally respond before taking the initiative. Formal bodies can be slow moving and their interests may not be aligned with those of their members. E.g. some member organisations had to be quite internally focussed early on.
- Actuarial bodies could have been much more robust and responsive in addressing harmful misinformation spread by a small number of actuaries.