

Is the Pandemic really over? What can we do now, for the future? [Transcript]

Conor:

Hello. Good morning. Good afternoon. Good evening. Very pleased that you could join us today for the first of the Global Asia Insurance Partnerships Speaker Series. We're very fortunate today to have a great panel looking into the topic of COVID-19, a topic I believe many of us are intimately familiar with given our experiences over the last few years.

I want to say just two opening lines about the Global Asia Insurance Partnership. First, we are a tripartite partnership bringing together academia, industry and regulators and policymakers from across Asia to look at new, emerging and accelerating risks. Naturally, given the experience of the last couple of years, pandemic and our experiences with the pandemic is one of those focus areas for the organization.

Right now, as we look ahead to the end of COVID-19, many of the restrictions that we've experienced are disappearing, but the effects of the pandemic are still being felt. We had impacts on governments, we had impacts on businesses, we had impacts on individuals and families. Now, as we transition towards living with COVID as endemic, it's important that we understand both the lessons that we've learnt from the pandemic as well as hopefully better preparing ourselves for the future in the case of another pandemic.

So, I'm joined today by a number of speakers. Most importantly, we have the opportunity to hear a range of perspectives from the diverse GAIP membership.

So first let me introduce at the far left we have Jessica Dang. She's a Research Assistant Professor at Nanyang Technological University. To her right is Kay Hwee, Chief Risk Officer for AIA Singapore. Then to his right, Eric Pooi, Managing Director for SCOR (Asia Pacific). And then joining us virtually from Australia, we have Jennifer Lang, who is an independent director and a very well-regarded and experienced Actuary.

We're going to start off today's panel discussion with a presentation looking at the effects for long term mortality trends as a result of COVID. And as we transition from COVID as a pandemic to COVID as endemic, we'll hopefully gain some valuable insights in terms of what the effects will look like. With that, I'll turn it over to Jessica. And please.

Jessica:

Well, thank you, Conor. So in this study, we looked at the mortality impact during the COVID-19 pandemic in a few countries in East and Southeast Asia region and they are Singapore, Japan, Korea, Indonesia, and Malaysia. We collected the population data from these countries and looked at their mortality impact during COVID-19. And in addition, we also looked at the mortality data from England and Wales just for a comparison purpose.

On this graph, we showed a heatmap of the percentage changes in the mortality rates in each year of the pandemic compared to the 2015 to 2019 average mortality rates for each country and by age group.

The pink blocks here show a worsening of mortality rates and the green block shows an improvement in the mortality rates. By looking at these graphs we can see that the Singapore, Japan,

and Korea experience has been much better than that of Indonesia and Malaysia. So that's a distinction between the more developed economies in this region and the less developed economies in this region.

Now interestingly enough, if we look at the England and Wales data, they actually performed much worse than Singapore, Japan and Korea, even though it is also a developed economy with similar level of healthcare accessibility and quality. One explanation to that is the difference in the implementation, also the adherence of the public health measures in place in between these countries.

Now, aside from the countrywide difference, we also see variations in the impact in different age groups. And there isn't a particular pattern in how they vary across different countries.

And aside from that, we also see the impact changes over the course of the pandemic. For example, in Malaysia in 2020, the experience has been much better than that in 2021.

With these mortality data, we try to estimate the long-term mortality trend as well as the age specific mortality impact for these countries using a stochastic mortality model. And then with the mortality model, we then forecast how the mortality rates will evolve in the coming years and we forecast them under six different scenarios.

The first one is our baseline scenario, which is to assume that the COVID-19 pandemic has never occurred. So that's the blue line at the bottom you see on the graph. And then the second scenario is to assume that the most recent mortality trend from the pandemic will just continue forever. So that's our most pessimistic scenario. And then in the third scenario, we assume that mortality rates will gradually reverse back to their long-term trend for four years and then stop there. Whereas the fourth scenario we assume that the reversion will just continue on. Then in the fifth and the sixth scenario, they are built on top of the fourth scenario. But in addition, we assume that a new pandemic will arrive each year with a probability of 0.01 or 0.02.

Now, I do want to point out that here in the graph you'll only see a very small difference between the fourth, fifth and sixth scenario. And that's because the plot shows you the mean of the simulated mortality rates based on the Monte Carlo simulation. Now, because we assume that the new pandemic arrives at a relatively low probability that you'll only see more obvious impact from the arrival of the pandemic if we look at the tail end of the distribution rather than the mean.

So then based on these forecasted scenarios, we also try to estimate the impact to the embedded value of a hypothetical in-force term life insurance contract. And as you can see from this graph for all countries except for Japan, they are all negative. The EV are all negatively impacted by the scenarios in our projection and the magnitude of the impact is actually commensurate with what we saw in the mortality impact in the first two slides.

In terms of findings from this study, we can see, there is large variation in the COVID mortality experience in the region that we looked at. That says that our continued close monitoring of the mortality experience is very crucial because we can't draw any conclusion on how the mortality rates will evolve in the future. And then from the EV example, we can see that the financial impact from these mortality shocks can actually be very significant for the mortality sensitive products. For life insurers, it's important for them to watch for the business mix and product mix so that you don't overweight in those mortality sensitive products or a particular segment of the population that will give you one sided impact from these shocks.

And then there are these risks factors that we know are out there, for example, the long COVID or the arrival of a new variant. But we don't exactly know the impact or which direction that's going to play out in terms of mortality.

And last but not least, this study is done on the population data. We know that it will be different from the insured lives experience, but exactly how that's different for the countries that we consider is still to be explored. And that's it for this presentation. Thank you.

Conor:

Thanks so much, Jessica. That was a very rich presentation. And I think what I want to come back to is that final point on your last slide there. Where we talked about the known and unknowns. You focused a lot on mortality data. And I'm just wondering about morbidity data. And do we expect to see similar effects of the pandemic on morbidity projections, especially in light of long COVID, with some of the data that we've seen in terms of cardiovascular disease? What's your take on that?

Jessica:

I'm not sure if the impact is similar per se. But I'm afraid it's not really a rosy picture that we're looking at based on the findings from the medical community. Depending on which study you look at between 10% to 40% of people who are infected with COVID-19 tend to have these long lingering symptoms which we call the long COVID. And they can attack multiple organs and multiple systems in your body. The implication of that on medical insurance is definitely significant.

And for the long COVID, there are some studies that find that even after one year after the infection, there is still increased risk in terms of cardiac arrest, diabetes and heart failures or even death. The implication of those on critical illness insurance also can't be ignored.

And because the virus also attacks the neurological system, there are a lot of cases of people getting brain fog, fatigue, and memory loss for those patients. Then there's also implications in terms of long-term care and disability income insurance.

It's quite a scary list when you think about it. And just in terms of the potential implications of COVID and as we transition away from the pandemic to living with COVID as endemic, it's clear that the implications remain significant.

Conor:

I want to turn it over to Jennifer now. Bring in your perspective here. Jennifer, your work at the Actuaries Institute in terms of the COVID Working Group, looking at the Australian data. What's your take on the scenarios that Jessica presented?

Jennifer:

The experience in Australia, is actually quite similar to other parts of Asia particularly in the more developed countries that we've been talking about. And I'd particularly like to draw your attention to 2022 versus 2020 and 2021. In 2021 and 2020 we had lower experience of mortality in 2020 and 2021 was just slightly higher than we might have expected in the absence of COVID, whereas 2022 the data that's just been released from our Australian Bureau of Statistics suggested excess deaths of over 10% more than we would have expected.

So a very significant increase in mortality and while half of that has been actually directly from COVID. Another half has been deaths associated with COVID, where the death certificate has

mention of COVID, and then another proportion, around a third is still quite a significant level of experience from causes that superficially had nothing to do with COVID.

What we're also seeing is that the age distribution is very much skewed to the older ages now and I don't know if that's actually that different in Asian countries that you look at but what we're seeing is that the older you are that the higher the excess deaths. Or where the excess deaths is in wider age groups.

I guess the other thing I would say moving more towards what we might expect in the future is that my personal view is somewhere between scenarios two and three as we talked about, that seems more likely to have reversion to the long-term trend. We've got a new cause of death, COVID, that is emerging in Australia. That is the number 3 cause of death in 2022. It's hard to imagine that this won't remain and increase overall deaths for the foreseeable future.

Particularly talking about morbidity, we don't actually have specific data either on the population or insured levels. What we are seeing is that the causes that Jessica mentioned, long COVID, extra heart disease, extra stroke and diabetes. We're seeing particularly high levels of deaths from heart disease, from stroke, from diabetes and those as you might expect, if they're not severe enough to cause death might cause long-term morbidity.

In Australia, we have substantial income protection insurance, and we haven't seen any particular increase in claims caused by COVID yet, but we might not yet see this because it's quite a long waiting period. So, I think it's watch this space for the people concerned and I guess, going back over to you.

Conor:

Thanks, Jennifer. And then, you know, at this point, maybe I'll bring Kay Hwee into the conversation.

And here, you know, this is scary stuff, you know, thinking about from the perspective of product design, thinking about from the perspective of underwriting, thinking about it from the perspective of pricing. Now we've heard that there's potential long term implications of COVID, both from mortality but also from a morbidity perspective. Now, what does that mean for an insurance company that's providing products? What's going on in your head when you're having these conversations?

Kay Hwee:

Maybe before I go into the impact on product design, maybe I could share a bit on the Singapore experience. I think for Singapore, we were quite fortunate to the extent that Singapore had the COVID situation quite under control. And while we saw an increase in population mortality, arising during the COVID years, for the insured population, we don't really see a very significant impact to the increase in number of insurance claims per se.

But having said that, that's on the mortality side, but when we look at the accident and the medical claims, I think that's quite obvious across the insurance industry during the COVID period itself. It's quite obvious that the medical claims have actually dropped for a few reasons.

Firstly, you know, all those elective surgeries have been deferred because government prohibits it. Also, the Singapore government sponsored those COVID hospitalization, so nothing comes out from the insurance pocket. And in terms of medical claims and I mean, even when we look at outpatient claims during the COVID period, it's noticeable that there has been a decrease mainly because

people were confined to their homes because of various quarantine measures and the use of the masks, you know, it's very effective. So the number of outpatient claims have decreased.

But now that we are entering into the endemic phase and to address Conor's point, it is not clear as what Jennifer has mentioned, the actual impact that it will have on the product design for life insurance companies going forward. But this is a space, we know that insurers are all watching very, very closely because the impact of long COVID as mentioned earlier. We probably don't have enough statistics, but I do note that in certain jurisdictions in terms of underwriting questions, you know, some jurisdictions have started asking some COVID-specific questions. For example, you know, how was your health impacted due to the COVID? But in Singapore, it's trending more to a reversion to the pre-COVID period. So in the mid term, I would say that insurers are watching this space.

In terms of product design, I don't see any significant shifts. We see rates for morbidity trending upwards. But it is not conclusive it's due to COVID. It could be a general increase in morbidity rates, so I mean, in short, it's probably too early to tell that, you know, COVID would have any sort of result in significant shift to product design and having said that, maybe just to conclude, you know, insurers typically have been very prudent so with this experience of COVID, it's likely that, you know, for morbidity and health claims, they are likely to offer non guarantees, have the appropriate exclusion clauses per se.

Conor:

Thanks, Kay Hwee. And I think you bring in some really interesting points there. One, of course, now we're still in our early days in terms of understanding the longer term implications of COVID-19 on how the products, underwriting, pricing is going to play out but there are I think some important considerations in terms of thinking about are the data points that we've seen as a result of COVID-19. Are these representative of long term trends? And when we think about some of the implications of the extraordinary steps taken by governments to control the spread of the disease, are we looking at morbidity that's as a result of people not being able to do anything for a period of time and the implications that that can have on somebody's health, both physical and mental.

But it's also an important set of questions that you raised in your response just in terms of how well positioned the industry is. Now, we saw, and I think it's fair to say that as a general comment that the industry is fairly well-capitalised. Solvency positions, despite the stresses of COVID-19 remained fairly strong. But there were some markets where there were stresses. Thailand, for example, where there was I think a number of insurance companies that faced some financial stresses as a result of COVID-19 and some of the decisions that were taken in terms of the coverage of certain insurance policies for COVID-19 infections. And when I think about this from the perspective of what is the reinsurance sector thinking about the health of the industry? I am very happy that we have Eric here and I can turn this question over to him. You know, what are the implications for the insurance industry over the longer term and overall sort of financial health of the industry? Are we ready for the implications of long term COVID in Asia?

Eric:

Well, I guess a simple answer to your question is definitely there is a concern for the industry. Because if you look at how the morbidity and mortality develops, if it is going to be permanent, this is really for sure a difficult situation for the industry as a whole. And I could quote a few examples here that, let's say for Singapore, we are safe because in a way, government has stepped in to help us a lot. For China it's relatively safe, too, because in China, basically majority of the products are saving plans. Plus at the same time, the age band is pretty young. And as you know, in China, most of

the badly infected people are the aged, and the death rates are also mainly come from the aged. So they are quite, quite safe.

And just turning over to Jessica's point from earlier on is that for UK, on the contrary, it is quite bad simply because if you compare to the population data of 2022 the increase in mortality rates is about 8% and 8% is a scary thing and it's getting real. How long is it going to last? So this is really a big question for them.

And on morbidity again, is not conclusive. But the problem is that if you look at the recent findings of reported cancer claims, they are at quite severe stage, possibly because it was not tested earlier due to the constraint earlier. And this is, of course, another concern for the industry.

But having said that, I think the insurance industry generally are quite resilient in a way simply because of diversification, in fact. So if we look at broader set of things, we are looking at if a company is P&C and Life, then you do get significantly good motor claims because there are no cars on the road at some stage in time. And at the same time when if you look at just for the life insurance company, you do have longevity as well. So with morbidity claims, you save on longevity payout.

So I think it really depends eventually on where you are talking about and which industry it is.

Conor:

Thanks, Eric. And I think you put it well in so far as it really does depend. And I think from my perspective, one of the things that I've taken away from the conversations that we've been having about COVID-19 and the implications for the insurance industry is has it raised any questions for us about insurance coverage? And here I don't mean necessarily the people who have insurance already, but in terms of the parts of the population, the traditionally underserved segments of the population. Has COVID-19 raised any questions for us as an industry in terms of access to insurance?

And I recognize that this question touches on all of the panelists but I'm very happy to hear if anyone wants to share a perspective on broader considerations from our experiences with COVID about, do we need to do more as an industry to improve access to insurance for underserved segments of the population?

I'm going to look towards our friend joining us from Australia. Jennifer, please

Jennifer:

I guess our experience here is a little bit different because we do have a group insurance wholesale insurance market, which comes with our superannuation, pensions sector. And so we do have quite strong coverage across what often might be the underserved population with just individual insurance. And I think what we have seen across our insurance sector here in Australia is that people are more valuing their insurance than they used to once they see that increase in risk. Health insurance is also making a comeback So I think that's been helpful in people not giving their insurance up. I think that the increased perception of risk from COVID has increased awareness, because it's a rare event, people don't necessarily value insurance as much, they might not understand why it's so important and that's the important part for all the insurance sector to do.

Conor:

Thanks, Jennifer. And I think absolutely, one hopes that COVID and our experiences with the pandemic really embed within us a recognition and an appreciation for the importance of insurance.

I'm going to unfortunately pick on one of my panelists, Kay Hwee, and that's fair warning, as I ask the question, because AIA is an insurance company that operates in Singapore, it operates in Hong Kong. It operates in a number of markets where insurance penetration is actually quite high. But you also operate in a number of markets where insurance penetration rates are quite low. Has there been any impacts in terms of markets where insurance penetration rates have been traditionally lower? Did the pandemic actually strengthen or impact how people were looking at insurance within these markets?

Kay Hwee:

There are a few angles to the question. I think for one if you would link it to COVID, I think the onset of COVID has probably raised awareness of people to the importance of insurance and even for insurance, COVID really is mainly associated with morbidity or health insurance per se rather than mortality insurance.

In markets like Singapore, pre-COVID, there's an acknowledgement that there is an insurance protection gap within the Singapore market, so the onset of COVID may have sort of raised more awareness, but more importantly, I believe COVID itself probably raised the awareness of many Singaporeans per se to the need for medical insurance per se and for Singapore you know, maybe it's somewhat similar to Australia like what Jennifer has said, most people are actually covered working, working adults are probably covered under the corporate schemes.

But even for the non-working adults, because the government of Singapore has what you call the government type, shield type of insurance, whereby you are sort of auto-enrolled into the basic level of shield cover and you know, people can top up. So that's generally quite well covered. But the onset of COVID probably has raised people's awareness to the importance and the need for medical insurance if they don't already have one.

And if I could just add on, Conor, onto the other aspect, other than awareness, I'm not sure whether your question alludes to the access to insurance, because one of the things that happened during COVID in Singapore and other markets is that people now realize that you don't have to travel distances. In Singapore, not a problem, but in other bigger countries may be a problem with this non face to face solutions that direct insurers can now use for customers.

I mean, it has been said that COVID is the biggest game changer, you know, for many years insurers have often struggled to get agents distributing the products to use, non face to face tools but with COVID, you know it has been a game changer. You know this adoption of online tools - non face to face tools for sale have caught on so for bigger countries maybe you know that may have improved access to insurance and from what we see in Singapore and other markets although it's now pretty much endemic, quite a large number of sales actually come through the non face to face channels. So in bigger countries that might have increased accessibility to insurance albeit you know, face to face remains somehow the more preferred mode of sales.

Conor:

Thanks Kay Hwee. And it's actually it's a good opportunity at this point then to actually, you know, thinking about your response and some of the impacts that COVID-19 had and how we think about distribution, how we think about the availability of insurance products. You know, these are important lessons learnt from the pandemic that we had the opportunity to see how the insurance industry could continue to function in an environment where there were significant restrictions on the ability for insurance agents and other distribution channels to conduct business.

But I think it's important that we also, as a panel take a step back and think about what are some of the other lessons that we've learnt as a result of COVID-19. And I want to touch on two areas.

So the first one is thinking about the impact on healthcare systems. And I think there is a number of lessons that we've learned that we can take away from our experiences of COVID-19.

And then the second area is thinking about business interruption, thinking about the disruptions to business. You know, this was a big focus area at the onset of the pandemic when there was significant restrictions put into place. Singapore had a circuit breaker, other jurisdictions had various levels of lockdowns, different urban centers had more severe lockdowns. It really was an existential crisis for a number of businesses, particularly those ones that relied on foot traffic.

So I think what have we learned from our experiences with COVID-19 that are going to be relevant in helping us prepare for the future where there is likely to be another pandemic?

As a wise friend often says to me whenever we meet, is that the end of one pandemic is the first day in the pathway towards the next pandemic.

And so maybe what we can do is we can actually take these questions together and I might follow up with each of the panelists, but I'm going to start with Eric on my left. You know, Eric, from your perspective, what are the big lessons learned from COVID-19 thinking about the healthcare implications, but also thinking about the broader economic disruptions that we saw, resilience that we saw? What do you take away from it?

Eric:

I think the key takeaway is really government has to do a little bit more in terms of the healthcare system. What they have learned so far is really lack of medical care so clearly after the pandemic, we really have to build up the resources to cater for the next pandemic.

But to what extent is always a big question mark. But at least what they should really do is to, in my opinion, at least they should learn from the previous experiences. Demark certain areas or buildings for potential conversion into hospitals, into care center, because this is truly lacking, for example.

And then another area that has been lacking earlier on during the pandemic is shortage of supplies, medical supplies. So I still remember mask costing only \$3.50 per box shifting beyond 50 like a commodity and then a shortage of protection gear, etc.

So all these should, uh, should be well stocked for the next pandemic.

Again, it is a tricky situation because when is the next pandemic? No one knows. Could be 10 years. 15 years. Then what? Then we will have to recycle the products to make sure that we still keep it relevant, not to waste it away, that is what I meant.

And finally, I also think that the government should have a better disaster recovery plan, if you want to call it. In Singapore, I'm pretty sure lesson learned would be the first thing you would do is TraceTogether. Next thing is wearing masks followed by no entry to certain areas or limited entries,

But this is something that I think the rest of the governments should also follow. In a sense, you have a very clear steps that you need to take if the next pandemic strikes so that is the aspects of the government side.

And on our insurance industry, to me, I really think that the problem in the past is a lot of the times the coverage is unclear so people start questioning, am I covered, am I not? So I guess what the insurance industry should strive at is to have clearer wordings, simpler products, just for any layman to understand whether they are covered or not. And this will help a lot in terms of the claim assessments, payments and ultimately help to relieve the stress of the people, especially during the pandemic.

Conor:

Thanks, Eric. And, you know, I think in a number of aspects, when we think about the healthcare system, the takeaway is really a bit of a mixed bag in terms of the implications for insured individuals, but also for the healthcare system itself. And what I mean by that is that what I think the pandemic drove was a number of innovations within the healthcare sector that ensured that people had access to healthcare in a much more straightforward, easy to access telehealth, etc.. But then secondly, what we also saw was, at the same time, a number of people saying, I'm not going to do the preventative things or I'm not going to access the preventative care that I need to potentially ensure that I'm not going to develop certain long term health implications.

And so now as the pandemic recedes and we're living with COVID as endemic, you know, potentially some of the more morbidity implications that we're seeing right now are being driven by the fact that preventative care maybe wasn't as accessed by individuals during the pandemic.

And so Kay Hwee, looking over to you and your experiences, what are your takeaways from the last three years in terms of both the good and the bad, in terms of how the health insurance worked and how the health system responded and what are some of the lessons that we've learned?

Kay Hwee:

Perhaps I could share more from the lessons learned perspective.

I would agree with Eric. One of the things at the insurance level, right, maybe as an industry we could do better is to clarify the terms and conditions, because for an insurance company, typically they have more than one medical insurance product and sometimes the exclusion clauses can be a bit different. So COVID, if it's treated as a pandemic, some policies actually exclude coverage, but others does actually include because of the way the definition is defined. One thing as a lesson learned and I would agree with what Eric said, is probably it can be clearer, you know, the terms and conditions in insurance contract.

And at the company level, what I thought was a lesson learnt more at the company level is the need to be nimble because you know, nimble to the extent that COVID brought a whole slew of changes non face to face being one of them. But even for management staff who has to work at home right, you know we have to adopt today to remote ways of working and that means you know having our laptops patched remotely. No longer can we go into the office and plug in the cord cable and then update it with the latest cyber patches.

So these are things that we need to do would be to be nimble but key among which is communication. Communication and to treat Business Continuity Plan (BCP) right. All companies would have BCP, but to treat it seriously. Because you know this thing about split teams and call trees, you know, it's just not a follow the rule book exercise. When COVID strikes it really is effective, the split teams. So we need to treat BCP seriously.

Which brings me to the next point on collaboration with the government per se. I would think one of the lessons learned and which in Singapore I thought was done pretty well but obviously can be

further improved is the collaboration or engagement between the industry through the insurance body, Life Insurance Association or General Insurance Association with the MAS, the Monetary Authority of Singapore, in rolling out relief schemes for those affected by COVID. There have been deferred premium schemes, meaning to say extended premium schemes and various sorts of soft concession measures both to policyholders and to the distributors.

So that communication on what MAS expects is very important and that probably can be further enhanced.

And maybe I'll just leave off with a more general point, again this more specific to the Singapore context. Lessons learned right, the Singapore Government has actually published a white paper that's available on the website [go.gov.sg](https://www.go.gov.sg) COVID-19 white paper whereby the government itself, not specific to the insurance sector, has actually examined, the things it has done well in terms of healthcare and what it could have done better per se. So that's probably a useful piece of reference on that aspect.

Conor:

Thanks Kay Hwee. Absolutely. You know, one of the things that's remarkable for me as a recent transplant to Singapore is just how seriously the government has taken that self-reflection process in terms of extracting from their experiences the learnings so that they can be better prepared for the next pandemic.

Now, Jessica, I'm going to come back to you in a moment, because I'm going to ask you a more macro level question in terms of the implications and lessons learned.

But now, Jennifer, I want to bring you into the conversation as a non-executive director of a life insurer, a general insurer and a medical health insurer. You know, you've got a wide perspective on the implications of COVID-19 on the insurance industry across the board. From your perspective, what would you say are the biggest lessons learnt for the industry as a result of the pandemic that are going to help us in terms of transitioning towards living with COVID as endemic, but also hopefully better prepare us for the next pandemic

Jennifer:

I should also put in a bit of plug for the Actuaries Institute working group did at the beginning of the pandemic. What we did is, we put together a series of guidance notes about what actuaries should do in response-to the pandemic.

There are things like working out how much capital you should hold, and whether it should be in the underlying liabilities, capital, or free equity. Whether you should think about tighter underwriting of new policies, whether you should have higher, what should you do about your product terms and conditions after. The business interruption definitions of many insurers were interpreted by the courts more widely than it had originally been intended to apply. It had been originally intended to cover insurers for a disease on the premises, like Legionnaires disease, but was interpreted to cover interruptions caused by government shutdowns.

So we have put together a series of quite high quality guidance notes that will be really useful to use next time, or for any other unexpected crisis

The other thing that is a lesson learnt for me, as you've already heard, is the importance of basically of stress testing. One of the aspects of the APRA regulatory capital requirements, APRA is the prudential regulator in Australia, APRA asked the whole industry to do a couple of quite serious

stress tests with pandemic scenarios. And while the actual pandemic wasn't the same as the stresses, it did help companies think through what they might have to do in terms of capital, in terms of which of their products might be most stressed. And I think that was excellent preparation.

The scenarios showed that it was actually quite a very stressful event for business interruption insurance, which is not what the original designers of that product had expected because they expected it just to be the disease on the premises.

And the final point I would make, I guess it's probably even wider than the insurance industry is the real insight for our group was the value of data. One of the things that I saw in Singapore and a number of other countries was fabulous data that was collected and made public about cases of COVID, about various different mortality, morbidity implications. And that was really helpful for the whole community.

So I think that the insight for me is that it's really valuable to build up that muscle of collecting and distributing data about all sorts of aspects to the health system because you don't actually realize what's going to be important until you get there.

And while big data is a thing, it's not actually very easy to find the data that you're looking for through just a generic Google search. You really need to actually have been collecting something that is going to be useful later.

So hopefully that made sense after my slight echo at the beginning so back to you Conor.

Conor:

Perfect Jennifer, and that was great. And in fact, actually it's a perfect segue to the question that I wanted to ask Jessica, because as somebody who works in the space of analyzing data, what were the lessons that you learnt from COVID-19 in terms of, are we collecting enough data? Is the data accessible, is it usable? What could we be doing to better prepare for the future? In so far as to thinking about the types of data that we need to make effective for it to conduct effective analysis and reach sound conclusions.

Jessica:

So collecting, that's definitely a big issue, especially for my perspective, when I started this endeavor of studying the mortality impact originally I was trying to look at all the countries in East Asia and Southeast Asia region. And then at the end I come down to this list of five, and that's just simply because this is the data that's available to me for me to conduct a meaningful analysis.

So from my point of view, there's a large variation in how the data, how much data is recorded in each country and how well they make it available and how timely they make it available. Sometimes it's a function of level of economic development. In other cases, it's actually not.

In terms of how that could help me help us learn from the experience. There's a whole slew of tools out there today. The machine learning capability is in many cases, beyond our imagination, but that very much depend on the availability of the data. And if there's ways and there's actually precedents in other field, for example, in the medical field where there are platforms that makes sharing of data and recording of data much more accessible to scientists in a broad sense. So that's I think that's something as insurance industry and also as a government that we can strive for.

Conor:

Thanks, Jessica. And, you know, one of the key takeaways for me was we really were almost in it, for lack of a better phrase, flying by the seat of our pants at the beginning of the pandemic. We were really I think in a number of instances trying to cast the net very widely in terms of the data question. And so that raises questions for me about some of the taxonomy challenges.

And so when we're looking at the data, are we collecting the same data? Is it comparable across different jurisdictions? Because I think that sort of comparability of data is so critically important. Do you think that we've actually come out of this experience in a stronger position in terms of actually thinking about how we not only collect but also categorize the data, which is so important for the insurance sector and so important for how we think about insurance products?

I definitely hope that that is the outcome, although that remains yet to be seen, although I do think that there has been a lot of good examples of data collection and sharing practice that we have seen. And given the accessibility of information these days. I think that's something definitely many countries and companies can learn from.

And maybe just one final question that I'm going to ask before we turn it over to some audience questions. Kay Hwee, from your perspective, you know, looking at this both from the private sector perspective as well as your experiences drawing on your experiences from working in the public sector, how do we think about the collaboration between the insurance industry and governments? What key lessons have we learned in terms of being able to actually ensure a more collaborative, productive relationship going forward?

Kay Hwee:

Okay, I'll just start from the perspective that in Singapore, at least, even pre-COVID, there has been much cooperation between the industry and the MAS. And obviously the other key player would be the Ministry of Health in Singapore. That collaboration has all along been there.

But how this can be strengthened is maybe just to add on to the point that Jennifer mentioned earlier, it's an industry-wide stress test, that insurers have all along been doing. I think that helps insurers to better examine the stress points if certain pandemic occurs. But I just like to add on also maybe in addition to the industry-wide stress test, there is an industry wide exercise that MAS conducts with both financial institutions and banks, and that doesn't really touch on the capital. But on various real-time scenarios for which I mean, in the past, you know, there has been simulation, industry-wide, of let's say there is a cyber attack on a number of major banks and insurers in Singapore or there has been a terrorist attack, how the industry will respond.

So maybe to enhance this collaboration moving forward, perhaps, although we already have a live case, nobody anticipated that COVID would strike and most of us to be quarantined at home. Maybe you know, certain scenarios associated with a next pandemic can be carved in for the next industry-wide exercise such that both banks and insurers, all the financial industry is better prepared and of course there's the MOH dimension if there's a pandemic because it affects hospitalization and medical issues. So maybe a more holistic maybe not only between the industry but also inter-government agencies collaboration, not to say that it doesn't exist now, but, you know, as a whole you could better envisage some of these scenarios and how we react to future similar scenarios.

Conor:

And I think the big takeaway for me is the importance of planning and having been through a number of BCP exercises in my former life. I can say that one of the things that always struck me about it was that it was very much focused on natural catastrophes or terrorism.

And then you were in this situation where we have a real life pandemic. And I don't think that any of us had prepared our BCPs with that in mind. We were thinking about instant significant disruptions and responding quickly. The pandemic really was a sort of build up, and then the effects were much longer. And so I do think that point about planning, it's so critically important in terms of thinking about the future. And I hope that this really is one of the key lessons that we take away.

Q&A section

We've had some great questions come in from the audience. And what I want to do at this point is try to touch on some of those and draw in the perspectives of my fellow panelists here.

And I'm going to take as a first question. And Eric, I'm going to put this to you. What are your thoughts on how we hear a lot about the protection gap? We talk a lot about protection gaps. This is a big focus for the insurance industry. How has the pandemic impacted protection gaps within the region? Has it exacerbated the problem? Is this something where the sort of unknown unknown of pandemics has actually created a new and even more significant protection gap, or has it added to existing protection gaps? And what as an industry can we do about it?

Eric:

Interesting question there. I think it varies again, because clearly one of the advantage or one of the positive aspects of COVID is people start believing in insurance, start understanding that they need some protection somehow and because of that, this helps to at least educate certain groups of people who are not so much aware of insurance are now starting to understand or getting interested in understanding what the insurance is. And this helps quite a fair bit for the industry to penetrate.

And taking on Kay Hwee's point earlier on, online. Online is the way to go now because I remember during the COVID times, we do have some online starting from applications of the insurance program to underwriting, to claim processing and payment. And as you know, most of the protection gaps in Asia is mainly due to remote locations. There are two or three key aspects of the protection gap.

One of them is remote location, one of them is probably poor concentration of the insurance in that particular area or market.

So all these actually help to improve the understanding of insurance and possibly help. And if we add on with government support, trying to for example, let's get an example of China, I remember China, the regulators actually wanted the insurance industry to decrease the protection gap just like I mentioned before in China, most of the products are aving. But today what the government is trying to do is to say no let's try to decrease protection gap because this is really getting important and this is where you can start to close the gap. Whether we could close the complete gap, I don't think so in the short term, but at least it's a good start.

Conor:

Thanks Eric. Maybe switching gears slightly and Jennifer here, it would be great to draw in your perspective. You talked a little bit about this in your initial comments, and that is the fact that in the context of morbidity, the data is quite limited. What have we learned in terms of being able to actually access the data? Have we done anything about it? What do we need to do to actually improve our understanding of the morbidity implications of COVID?

Jennifer:

So I think the issue here is that you need to actually make the effort to collect it. So in different countries around the world. So for example, in England and Wales, they're collecting quite good population survey data about long COVID, but there's not that many other countries doing it.

So it's, it's the effort to collect something in the first place. And try and work out a before and after is actually quite difficult. So the first part is to just say how what data should we collect and then to make it available.

So in, in Australia at least and I'm not, I'm not sure how, how this plays out in different countries in Asia, we don't really have a an Australia wide effort to collect that data. So it's not that much point trying to get someone to release it. So actually finding that baseline data at a population level to me is something that it's a shame that we in Australia haven't learned that lesson of how valuable it was in other countries. And I hope that other countries have seen the countries where it has been useful and is and have used that data.

Conor:

Thanks, Jennifer. And Jessica, from your perspective,

Jessica:

I think it's really important to have a sort of set of standardized data that will help comparing the data and evaluating the impact a lot. So I'm almost inclined to propose someone or maybe us, we can try to come up with a data standard for collection in the future. That would be a cool project.

Conor:

Absolutely.

I'm going to ask one final question that came in from the audience. And Kay Hwee, I am going to turn this over to you I suspect it's probably a quick answer, but do you think that we're going to see the emergence of specific COVID insurance or is it going to be bundled with other products?

Kay Hwee:

I'll give a long answer to the short question. It's a matter of, I would say, demand and supply. So as the world treats COVID as an endemic, the first question is would there be a demand for such products?

During the COVID period I do note that certain insurers, not in Singapore, but also not only in Singapore, but other countries. For example, in Thailand, Conor you mentioned offered COVID specific products. But now that endemic and people are treating it like any normal flu, it's whether there's a demand for it.

But more importantly, even if there's a demand for it, whether the insurers and reinsurers are willing to take that risk because as was mentioned earlier, right, by my fellow panelists, this impact of a long COVID, it is something being monitored quite closely. It is not conclusive. Who knows what may happen in the future. So even if there is a demand, even if, a big if, there's a demand for such COVID specific insurance, the ability to offer such products by insurers, I think there's a big question mark.

And even if it's offered, it will come with the normal non guaranteed nature and certain exclusion clauses. So if you ask me, my personal view is in the longer term, there would probably not be insurers offering specific COVID product, but embedded within the normal insurance products per se.

Conor:

Thanks Kay Hwee. I recognize that we're very quickly running out of time. It's been an incredibly rich conversation. I know I've taken a lot away from it, but what I hope that we can do is give everyone a final 20 seconds to give us their key tweet from the discussion.

So, Jennifer, you first please

Jennifer:

I think the key for me is that scenario planning makes a big difference. So actually thinking about some quite different scenarios and planning for them will help you with whatever scenario might happen in the future.

Jessica:

I think my takeaway is, is don't be complacent and always keep an eye on what the future may involve and learn from the past past experience.

Kay Hwee:

For me is expect the unexpected and when the unexpected happens, be nimble.

Eric:

This COVID is really unprecedented. So I really hope that if before the next COVID comes in full blown, the government would take swift actions and take it responsibly

Conor:

For me, all I can say is a big thank you. Of course. Eric. Kay Hwee. Jessica. Jennifer. A big thank you. I think it's been excellent. Very rich conversation. My takeaway is really three parts.

One, we need to do a better job on the data side of things.

Two, planning is so critical, and we need to expand our scenario analysis to look at pandemics. Make sure that our planning incorporates the lessons that we've learned from COVID.

And then lastly, collaboration between the public and private sectors is so important when dealing with a risk of this magnitude. We can't do it as an industry alone. We need to have governments at the table and this conversation has only reinforced the importance of making sure that that collaboration is very strong.

So with that, a big thank you to the panelists, a big thank you to everyone who joined us today. No matter where you are in the world, goodbye. Good afternoon. Good evening. And enjoy the rest of your day.

Thank you.