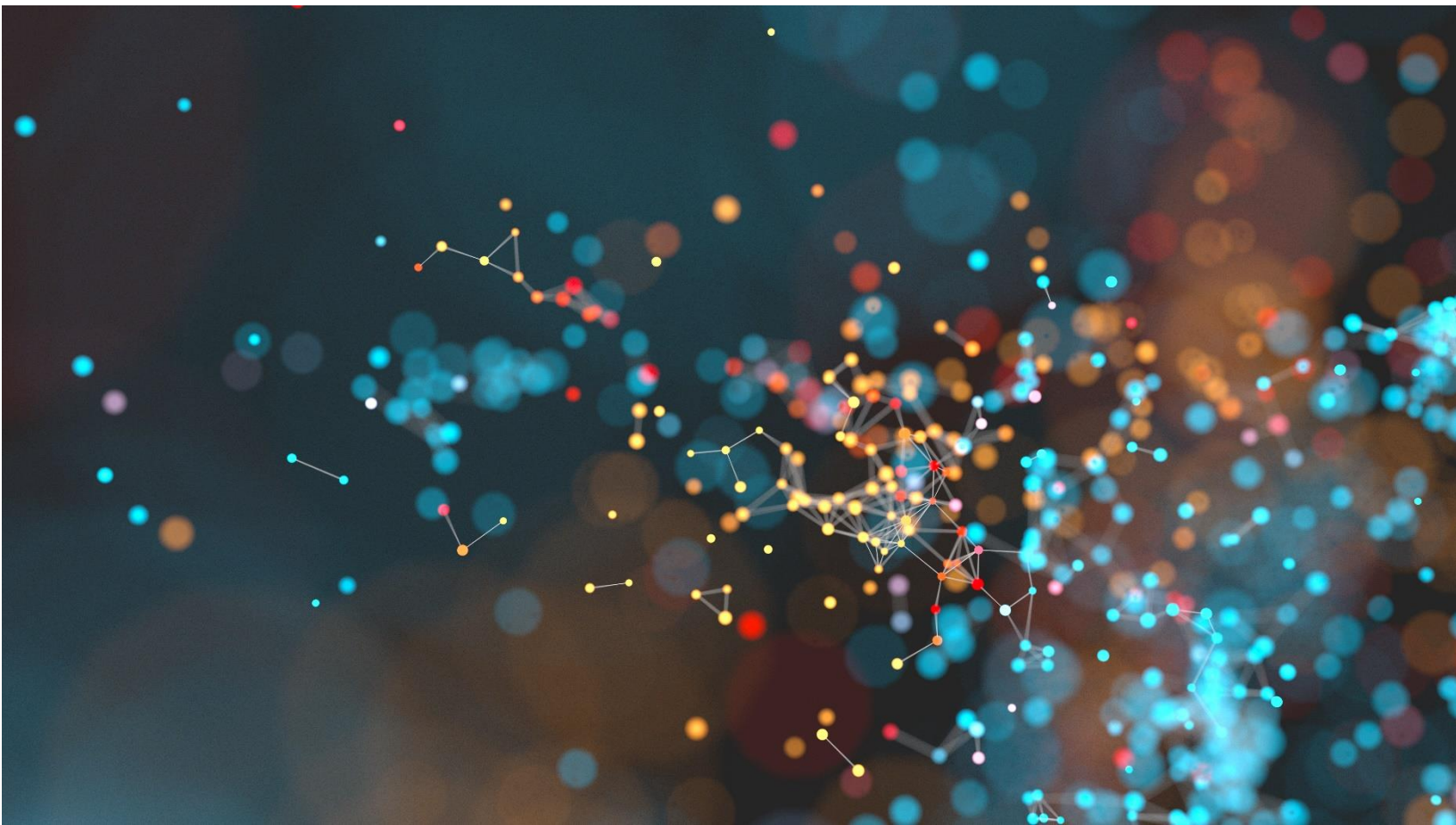


MILLIMAN REPORT

SURVEY ON THE EXPECTED IMPACT OF COVID-19 PANDEMIC ON LIFE INSURANCE MARKETS

IN ARGENTINA, COLOMBIA, MEXICO AND THE CARIBBEAN

July 2020

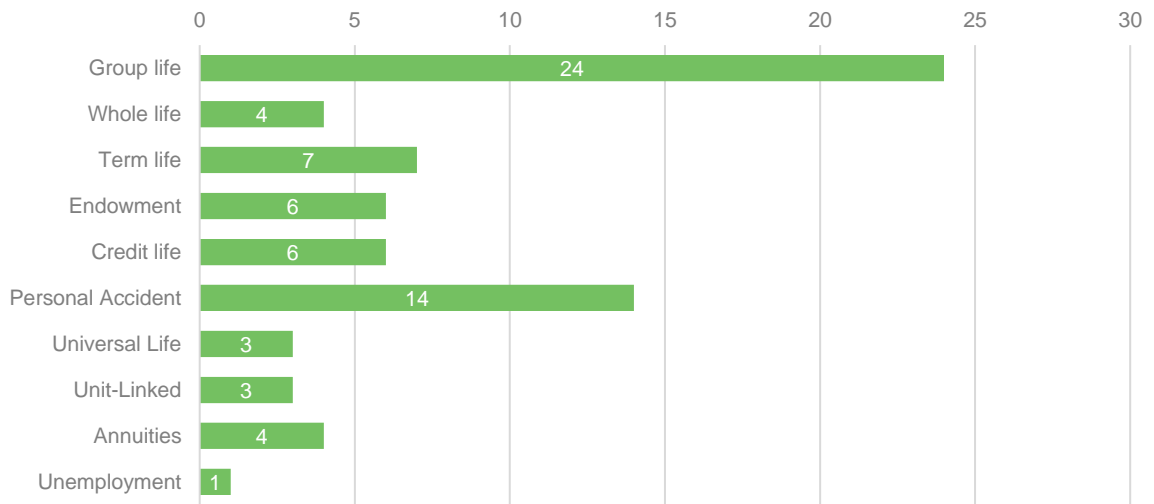


Given the difficult and exceptional situation the world is facing due to the COVID-19 pandemic, it is important to analyze and examine the impact it will have on the life insurance industry. In a joint effort between the following associations: the Argentine Republic’s Civil Association of Life and Retirement Insurers (AVIRA), the Federation of Colombian Insurers (FASECOLDA) and the Mexican Association of Insurance Institutions (AMIS), we have carried out a survey among their associated companies to portray their vision regarding the effects of this unprecedented phenomenon on our market and to provide a joint/Integrated insight that will provide valuable information for the decision-making process. A few Caribbean companies have participated as well. The answers were provided between June 3 and July 7, 2020.

We have received answers from 29 economic groups made up of 31 life insurance and/or pension companies, with the following detail by country: Argentina, 8 economic groups / 10 companies, Colombia, 10 companies, México 9 entities and the Caribbean, 2 companies.

These companies carry the following products:

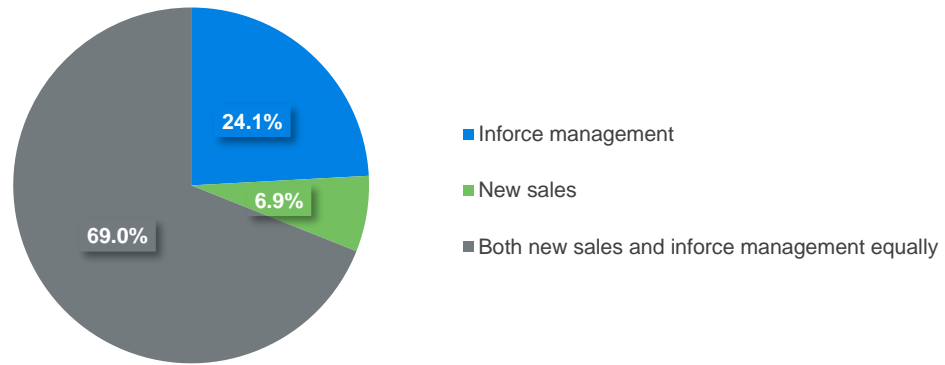
FIGURE 1: PRODUCTS OFFERED BY RESPONDING COMPANIES



1. PRIMARY BUSINESS FOCUS

With regards to their primary business focus in response to the COVID-19 pandemic, 69.0% of respondents are focused on both new sales and inforce management equally. The other responses indicated that 24.1% are focused on inforce management, 6.9% are focused on new sales. The percent of companies for each primary business focus are shown in Figure 2.

FIGURE 2: PRIMARY BUSINESS FOCUS IN RESPONSE TO THE COVID-19 PANDEMIC



2. NEW SALES

Respondents were then asked if they have taken any action regarding new sales. Most of the companies (51.7%) said they are currently taking action, either to modify their offer (price, terms, means) or other actions such as:

- strengthening the offer of products and services through virtual channels,
- generating “Tailor-Made” offers according to each risk exposure,
- campaigning to drive new sales,
- offering additional coverage or adapting it to cover the risk by COVID-19.

These results are shown in Figure 3.

FIGURE 3: NUMBER OF COMPANIES BY ACTIONS TAKEN REGARDING NEW SALES

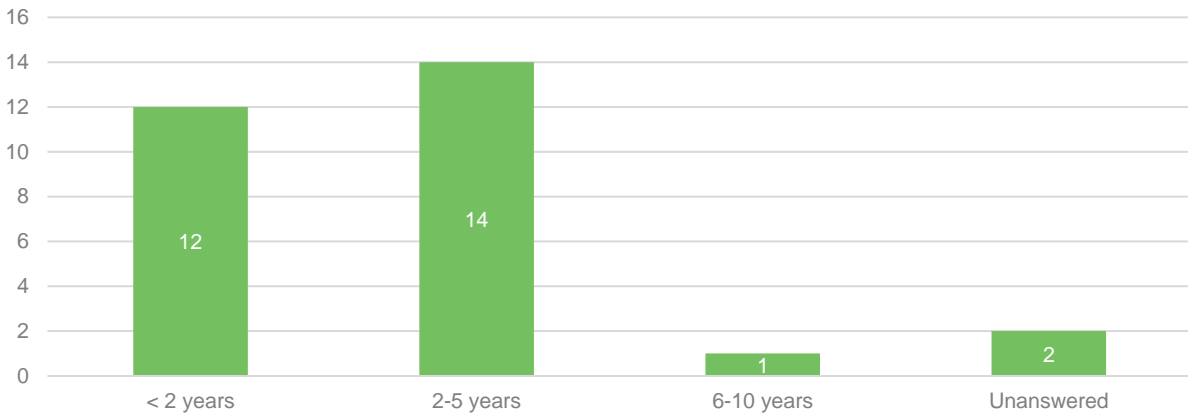


3. INTEREST RATE AND MORTALITY EXPECTATIONS

62.1% of the respondent companies foresees a reduction of the interest rates in financial markets from current levels due to the COVID-19 pandemic. On the other hand, 24.1% anticipates an increase, 10.3% does not expect any changes and 3.5% did not answer the question.

Regarding the duration of this impact, a plurality of the participants (48.3%) estimate that it will last between 2 to 5 years, followed by 12 companies (41.4%) who expect the impact to last less than 2 years.

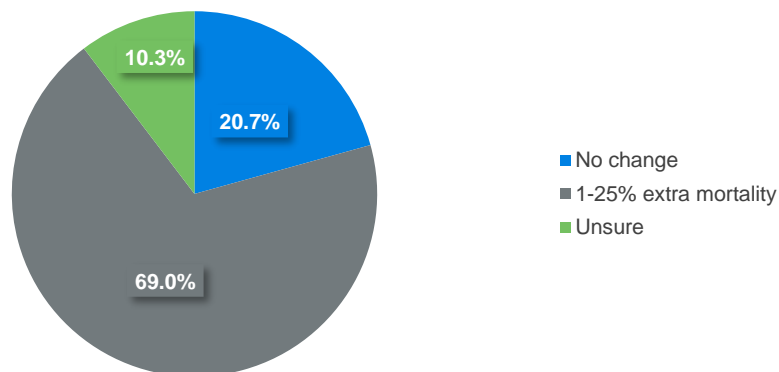
FIGURE 4: NUMBER OF COMPANIES BY EXPECTATIONS ON THE DURATION OF THE IMPACT



In addition to interest rate expectations changes, most companies (69.0%) anticipate an increase in future mortality rates, 20.7% indicated that its expectations on mortality rate levels remain unchanged. Some of them observed other effects that appear to have offset the effect of the pandemic, for instance, the fact that it has mainly affected mortality rates at ages that are not usually covered by their policies, and that the lockdown has reduced mortality for other causes such as traffic accidents. Finally, the remaining 10.3% considers the impact will be uncertain.

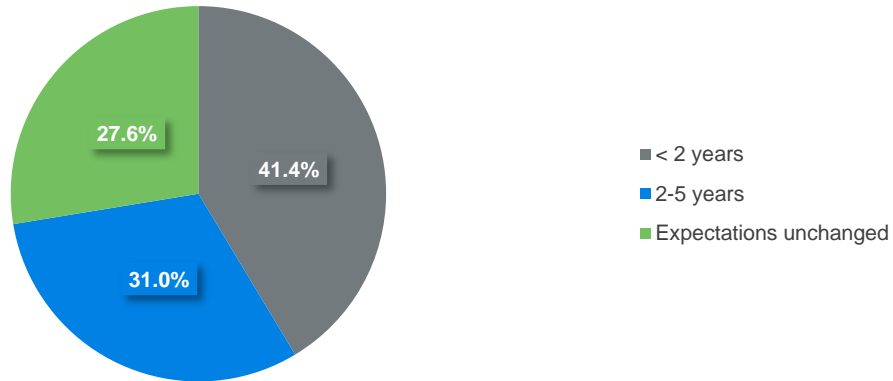
Among the companies that expect a higher mortality, all of them are adjusting their expectations by an additional 25% or less from pre-pandemic levels. These results are presented in Figure 5.

FIGURE 5: MORTALITY EXPECTATIONS



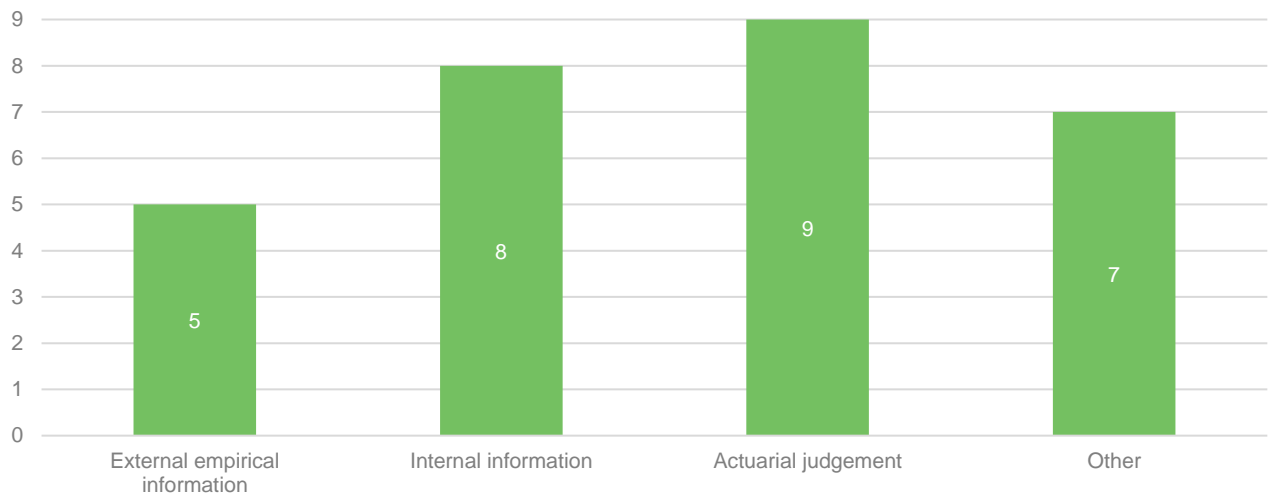
When asked how long companies expect the mortality impact to last, 41.4% expect the impact to last 2 years or less and 31.0% indicated a longer durations, from 2 to 5 years.

FIGURE 6: HOW LONG MORTALITY IMPACT IS EXPECTED



When asked about the basis for their expectations in mortality, 31.0% pointed out actuarial judgment, followed by studies based on internal information (27.6%) and external empirical information (17.2%). Lastly, some of the companies that selected “Other” considered a combination of the three above.

FIGURE 7: BASIS FOR HIGHER MORTALITY EXPECTATIONS



Then, the survey asked if the participating companies planned any modification in the rates of their products based on their vision of the impact of the pandemic on interest rates/mortality. Most of the respondents (55.2%) answered they do not plan to take price actions. The other 44.8% plan to make rate adjustments in some of the products, mainly in Group Life, Whole Life and Endowment.

FIGURE 8: PERCENTAGE OF COMPANIES PLANNING TO MAKE RATE ADJUSTMENTS BASED ON THEIR EXPECTATIONS ON THE IMPACT OF COVID-19 PANDEMIC ON INTEREST RATES/MORTALITY

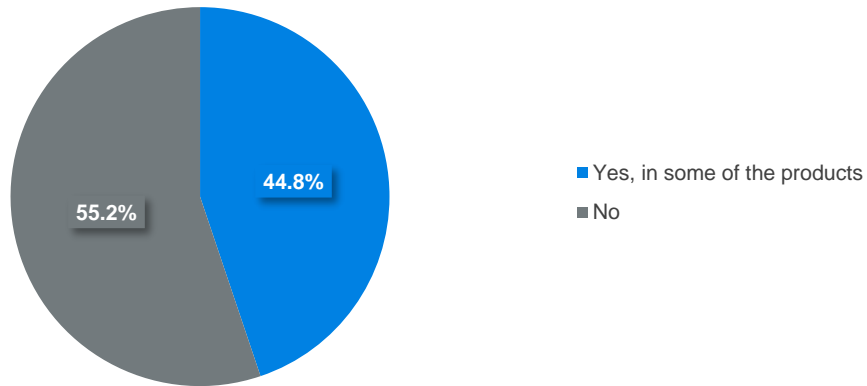
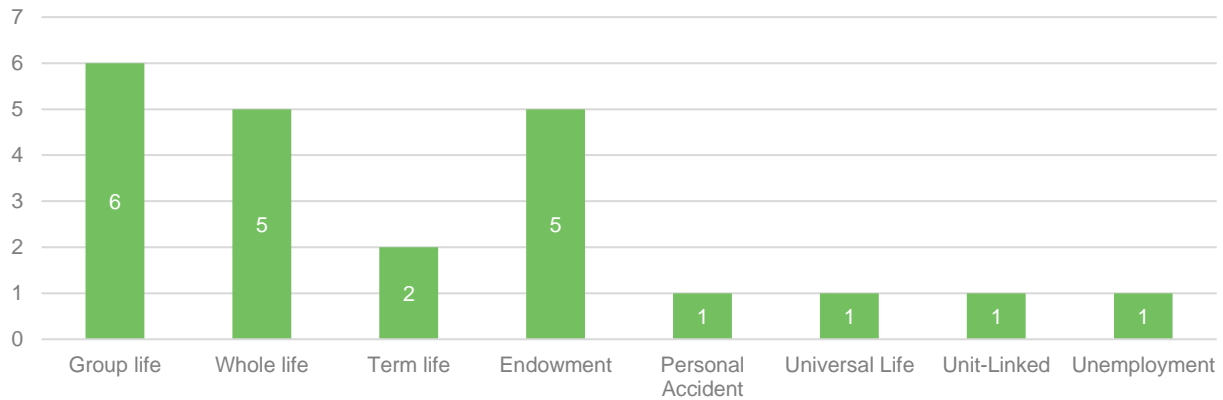
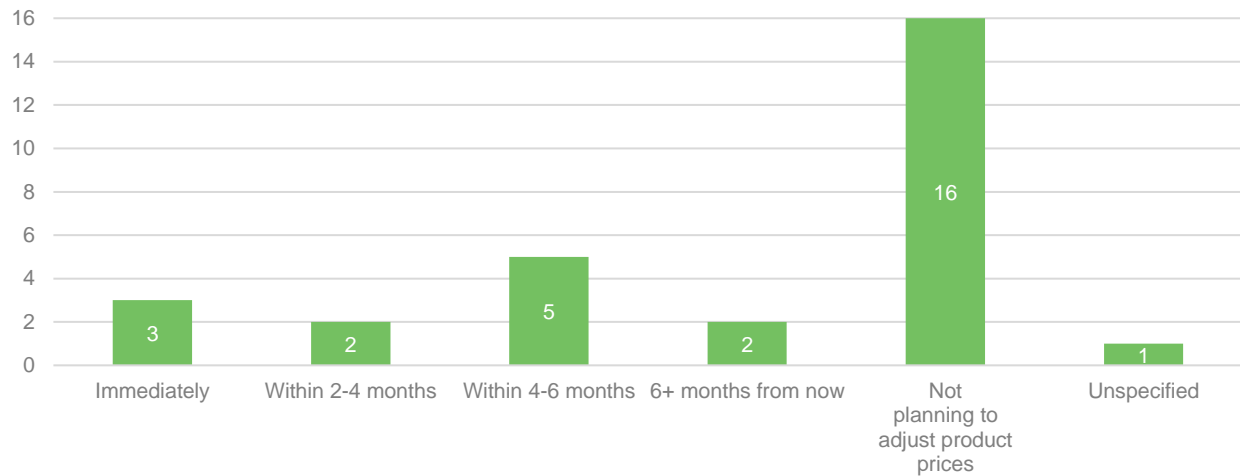


FIGURE 9: NUMBER OF COMPANIES PLANNING ADJUSTMENTS BY PRODUCT



Among the companies that plan to make these adjustments, most plan to carry them out within a period not exceeding 6 months.

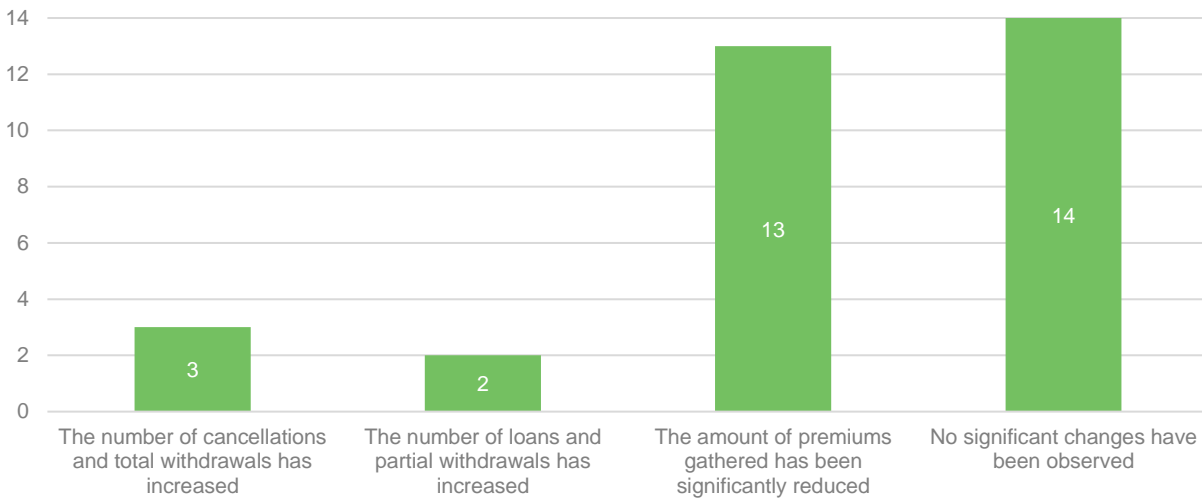
FIGURE 10: NUMBER OF COMPANIES BY EXPECTED TIMEFRAME FOR ADJUSTING PRODUCT PRICES



4. ADDITIONAL IMPACTS OBSERVED IN THE CURRENT PORTFOLIO

44.8% of those surveyed noticed the amount of premiums gathered has been significantly reduced, 3 companies pointed out an increase in the number of cancellations and total withdrawals and 2 companies an increase in the number of loans and partial withdrawals. These results are shown in Figure 11.

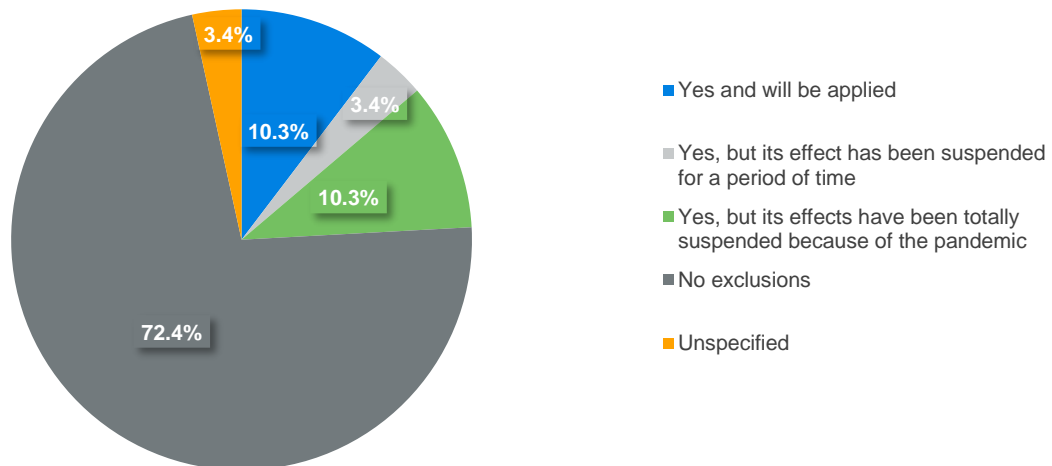
FIGURE 11: ADDITIONAL IMPACTS OBSERVED IN THE CURRENT PORTFOLIO BY NUMBER OF COMPANIES



5. PANDEMIC EXCLUSIONS

Lastly, the majority of the surveyed entities (72.4%) stated that their products do not carry pandemic exclusions. For the ones that do, most of them have decided temporarily or permanently not take advantage of this exclusion regarding this pandemic.

FIGURE 12: PERCENTAGE OF COMPANIES THAT HAVE PANDEMIC EXCLUSIONS IN THEIR PRODUCTS



PARTICIPATING COMPANIES

We would like to thank AVIRA, AMIS y FASECOLDA for the support provided to carry out this survey and to the following companies for their participation:

COUNTRY	COMPANY
ARGENTINA	CNP SEGUROS ARGENTINA
ARGENTINA	FEDERACION PATRONAL SEGUROS
ARGENTINA	GALICIA SEGUROS
ARGENTINA	GALICIA RETIRO COMPAÑÍA DE SEGUROS
ARGENTINA	METLIFE
ARGENTINA	QUALIA SEGUROS
ARGENTINA	SANCOR SEGUROS
ARGENTINA	SMG LIFE SEGUROS DE VIDA
ARGENTINA	SMG LIFE COMPAÑÍA DE SEGUROS DE RETIRO
ARGENTINA	ZURICH
COLOMBIA	ALLIANZ SEGUROS DE VIDA
COLOMBIA	ASEGURADORA SOLIDARIA DE COLOMBIA
COLOMBIA	COMPAÑÍA MUNDIAL DE SEGUROS
COLOMBIA	EQUIDAD SEGUROS
COLOMBIA	LIBERTY SEGUROS
COLOMBIA	PREVISORA COMPAÑÍA DE SEGUROS
COLOMBIA	SBS SEGUROS COLOMBIA
COLOMBIA	SEGUROS CONFIANZA
COLOMBIA	SEGUROS DE VIDA ALFA
COLOMBIA	SEGUROS DE VIDA DEL ESTADO
MEXICO	AXA SEGUROS
MEXICO	GENERAL DE SEGUROS
MEXICO	GRUPO NACIONAL PROVINCIAL
MEXICO	INSIGNIA LIFE
MEXICO	PRINCIPAL SEGUROS
MEXICO	SEGUROS AZTECA
MEXICO	SEGUROS EL POTOSÍ
MEXICO	SEGUROS MONTERREY NEW YORK LIFE
MEXICO	SEGUROS VE POR MÁS
PANAMA	WORLDWIDE MEDICAL ASSURANCE
REPUBLICA DOMINICANA	SEGUROS CRECER

CONTACT US

At Milliman we are engaged in analyzing the COVID19 effect from different perspectives. Please contact us if you are interested in more related to this pandemic.

This Milliman market study is aimed at providing insight into the increasingly competitive insurance market.

Any suggestions for future surveys or studies, as well as comments regarding studies already carried out, are of course welcome.



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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The data in this report has been summarized for distribution to survey participants. Some of the data presented in this report has been aggregated at the total market level. In addition, not all data points collected from the survey may be shown in this summary report. It is possible that different reviewers of the data could produce different conclusions, particularly for certain market segments, than those that may be drawn from this summary report. As such, readers of this report should be cautious when interpreting the data and making decisions regarding specific market segments.

Milliman has prepared this report for the specific purpose of providing you with the results of our market survey. This report should not be used for any other purpose.

In preparing this report, we relied upon data and other information provided by survey participants in the marketplace. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our report may likewise be inaccurate or incomplete. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of this report.

The authors of this report are Consultants for Milliman.