

# Risk Implications-Unemployment and Underemployment

## Summary

Unemployment and underemployment are important indicators of the economic environment. Not only do they have an impact on economic assumptions but also insurance business.

This report studies the impact of un/underemployment on various aspects of insurance. The findings can help actuaries with:

1. Economic forecasts:  
An integrated prediction model should include not only normal economic assumptions such as interest rate, credit spread, and equity return used in insurance pricing and valuation, but also unemployment and underemployment.
2. Insurance assumptions:  
The insurance assumption setting process can be refined through the consideration of labor market conditions.
3. Risk management:  
Labor market-related stress scenarios can be used to test a company's ability to take risk.

As part of this effort, a survey was conducted to the actuarial community to understand how un/underemployment impacts modeling practices. It was found that these two factors do not influence the insurance business as much as other economic variables, such as interest rates, equity return and market volatility.

It was concluded however, that further incorporation of un/underemployment factors in actuarial modeling results in further refinement of results. It is further suggested to raise awareness of the value of analyzing unemployment and underemployment for insurance pricing, risk management, and business management.



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### Who Might Read:

Risk Management Professionals and Practicing Actuaries



### Link to full report:

<https://www.soa.org/Files/Research/research-2015-12-risk-implications-unemployment-underemployment.pdf>



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