

# COVID-19 Investment Section Member Survey Summary Report





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**SPONSOR**

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## Survey Highlights

As part of its ongoing effort to provide useful information on COVID-19, the Society of Actuaries issued a brief survey to its Investment Section members to gain insight as to how COVID-19 is impacting investment professionals. The survey was fielded in August 2020 and deliberately kept brief for ease of response. The survey results are intended to help members compare their thinking and future expectations of COVID-19 with their peers. Thanks to the 83 Investment Section members who responded to the survey. The following are highlights of the survey results. The remainder of the report contains the complete survey results.

### Recovery Expectation

When asked about their outlook for the timing of the resolution of COVID-19 with respect to its overall impact on investment markets, the majority (57.9%) of respondents expect that there will be a recovery back to normal in 12 months or more. 23.7% of respondents expect the recovery to be within 6-12 months. An equal number of respondents (6.6%) indicated that either a recovery has already occurred or expect that there will not be a recovery back to normal.

### Asset Risks

Respondents were asked for their thoughts about a list of asset risks over one-year and five-year time horizons. Of the asset risk choices, the top three risks for which respondents showed the greatest concern over a one-year time horizon were: Default (65.8%, very concerned), Volatility (63.4%), and Equity-US risks (51.3%). Respondents showed the least concern over a one-year time horizon for: Inflation (54.7%, not at all concerned), Deflation (36%), and Liquidity (26.7%).

Over a five-year time horizon, respondents indicated the greatest concern for: Inflation (28.4%, very concerned), Default (14.5%) and Equity Global (10.7%) risks. Respondents were least concerned over a five-year horizon for: Liquidity (56.7%, not at all concerned), Deflation (52.3%), and Equity US (41.6%) risks.

### Model Changes

The survey asked respondents whether they have or plan to change any of their base financial models or do additional sensitivity testing because of COVID-19. Around the same number of respondents indicated they have changed already (32.9%) or are planning to change (31.7%). Only 2.8% of respondents indicated they were not going to make changes, while 13.8% did not know or did not find the question applicable to their situation.

For those who have made changes or are planning to make changes, 45.9% of respondents indicated they did so within the past 3 months, while 6.6% did it more than 3 months ago. Of those planning to make changes, 31.2% are planning within the next 1-6 months. Significantly lower numbers of respondents indicate planning beyond 6 months or do not know at this point.

### **Negative Interest Rates**

Respondents were asked whether any of their models include scenario testing for the impact of negative interest rates. Close to an equal percentage of respondents indicated they include testing (46.0%) or do not (43.4%).

### **Fallen Angels**

When asked about how concerned they were about the impact of COVID-19 on recoveries of fallen angels (downgraded from investment grade to junk), most respondents (49.4%) were somewhat concerned. 28.6% of respondents were very concerned, while 14.3% were a little concerned. Only one respondent was not concerned.

### **Assets Under Management**

Most respondents (41.4%) have \$50 billion or greater of assets under management at their firms. 25.7% of respondents either did not know or thought the question did not apply to them. The remainder have assets under \$50 billion.

### **Future Survey Topics and Work**

Respondents were primarily interested in future work that explores interest rates and modeling, including negative rates. Other thoughts included long-term impact of government monetary and fiscal policy.

### **Acknowledgements**

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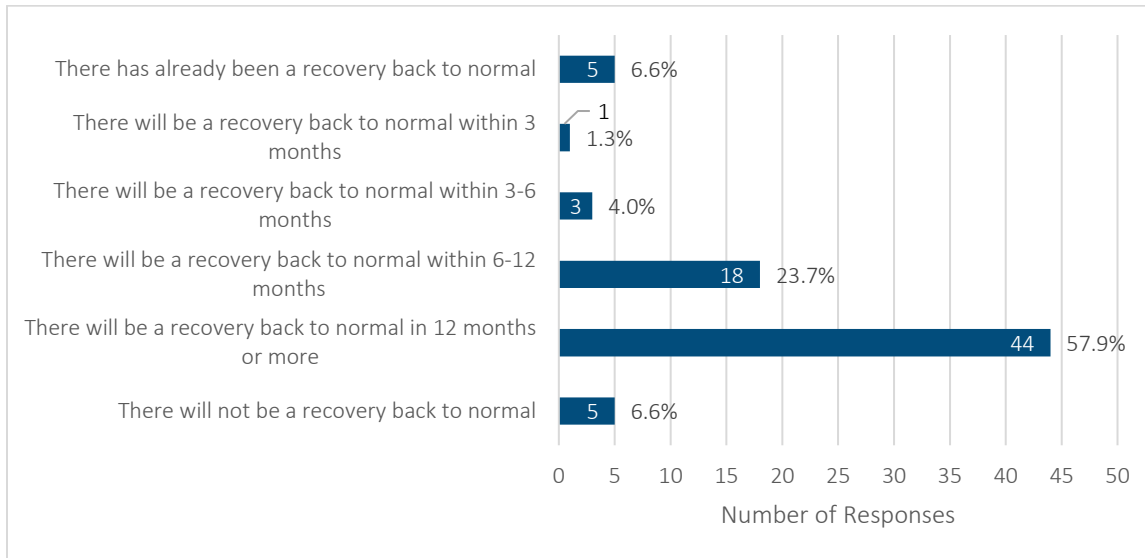
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## Complete Results

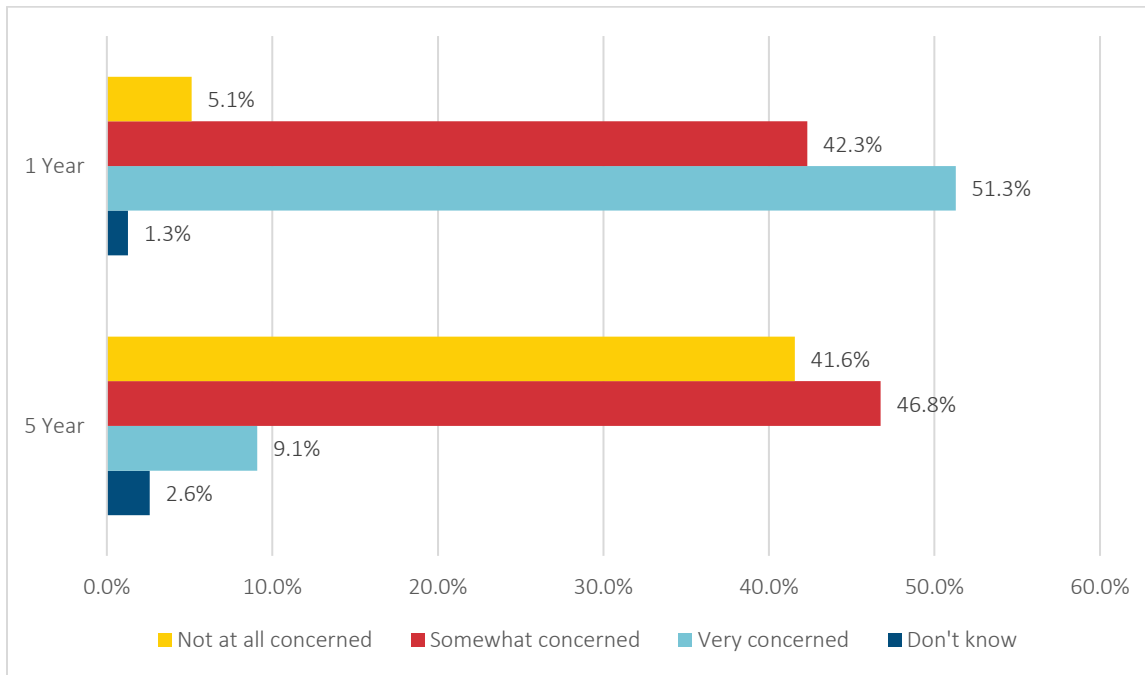
### QUESTION 1.

What is your outlook for the timing of the resolution of COVID-19 with respect to overall impact on investment markets?



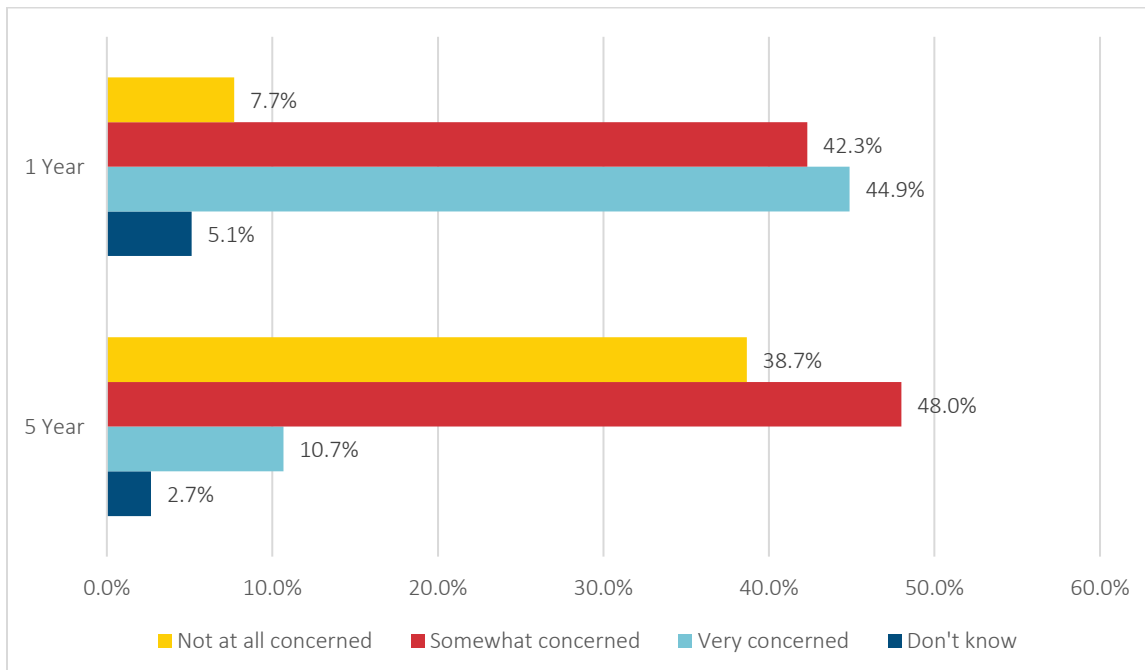
**QUESTION 2 – EQUITY-U.S.**

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Equity-U.S.)



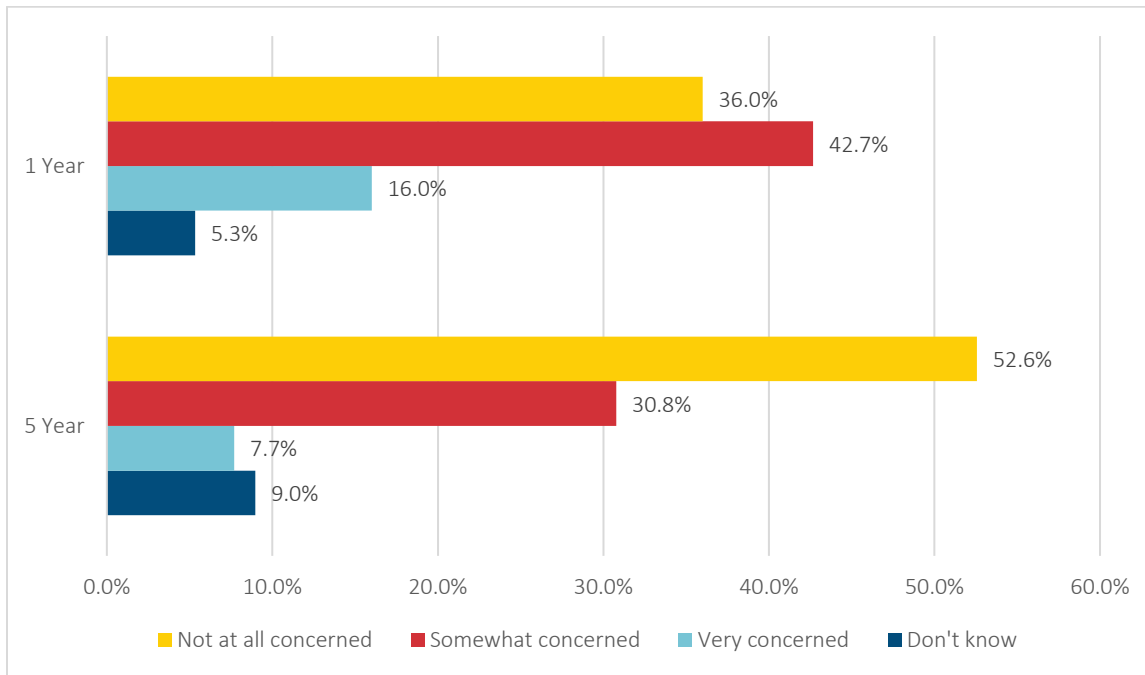
**QUESTION 2 – EQUITY-GLOBAL (NON-U.S.)**

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Equity-Global (non-U.S.))



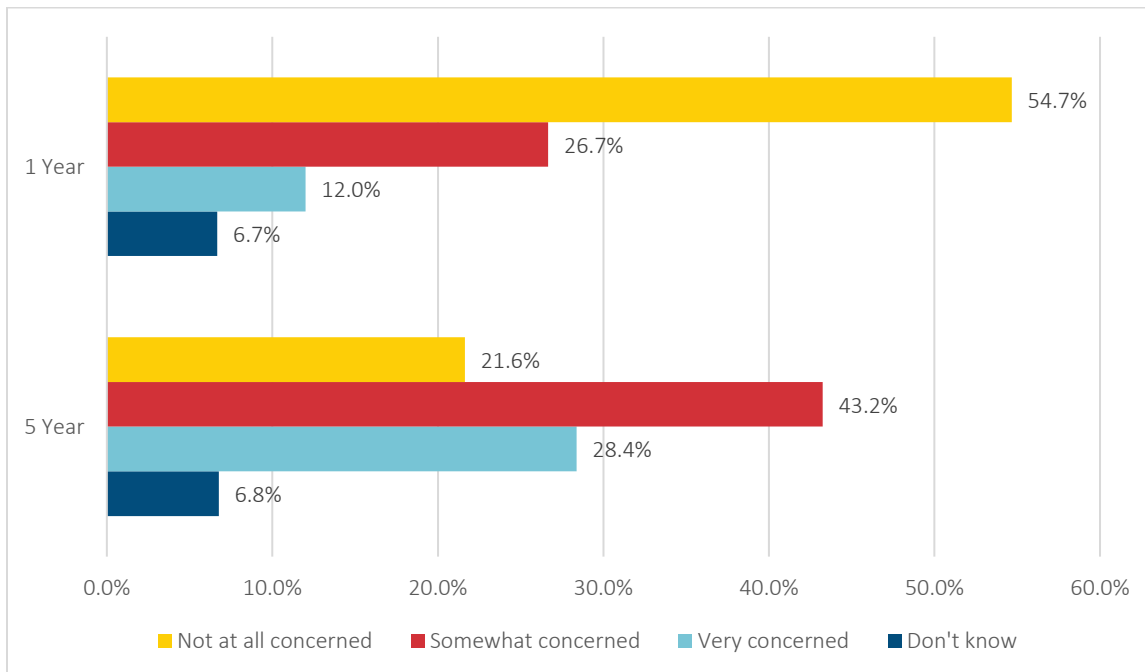
### QUESTION 2 - DEFLATION

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Deflation)



### QUESTION 2 - INFLATION

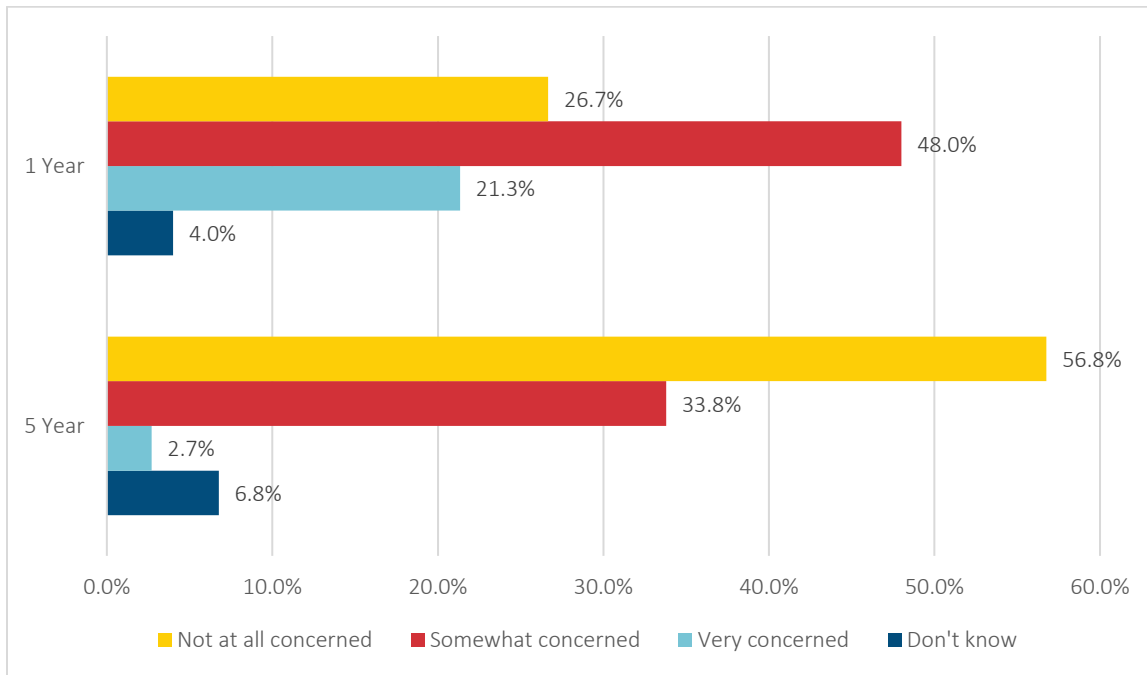
How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Inflation)





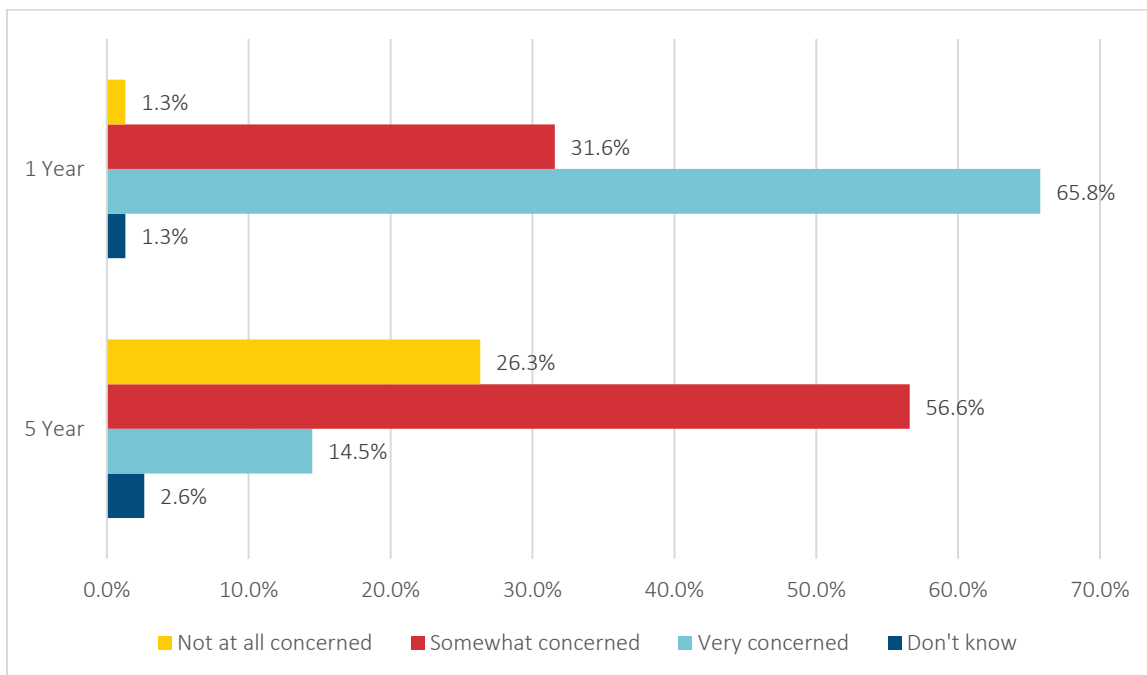
**QUESTION 2 – LIQUIDITY**

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Liquidity)



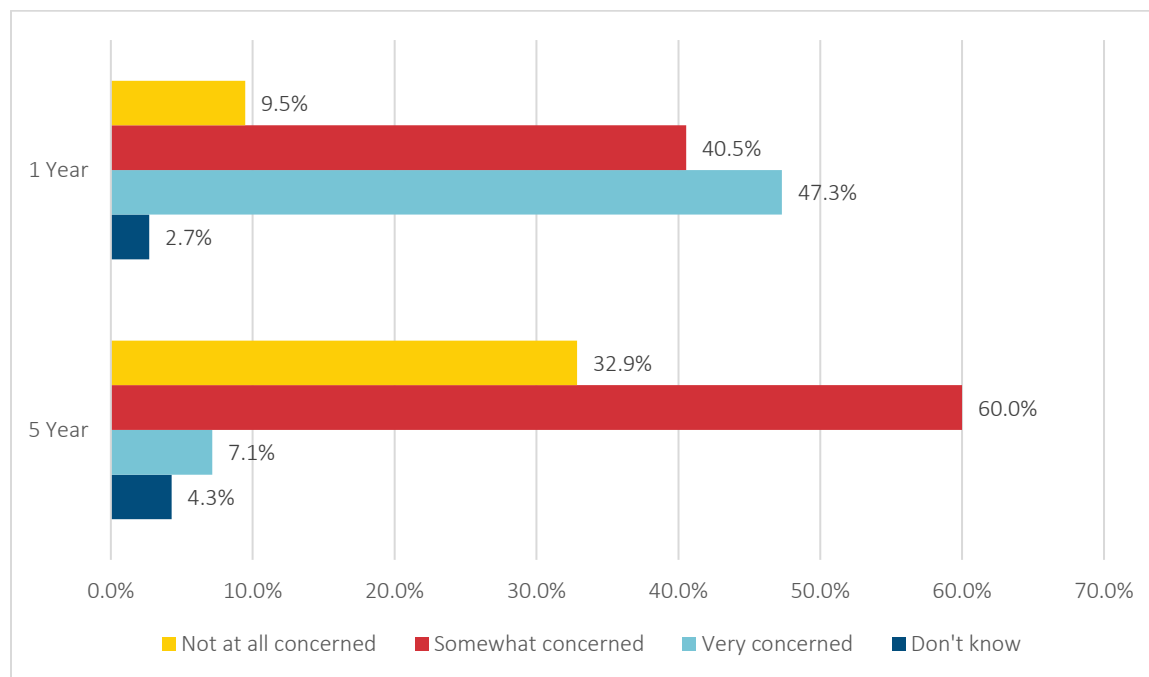
**QUESTION 2 - DEFAULT**

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Default)



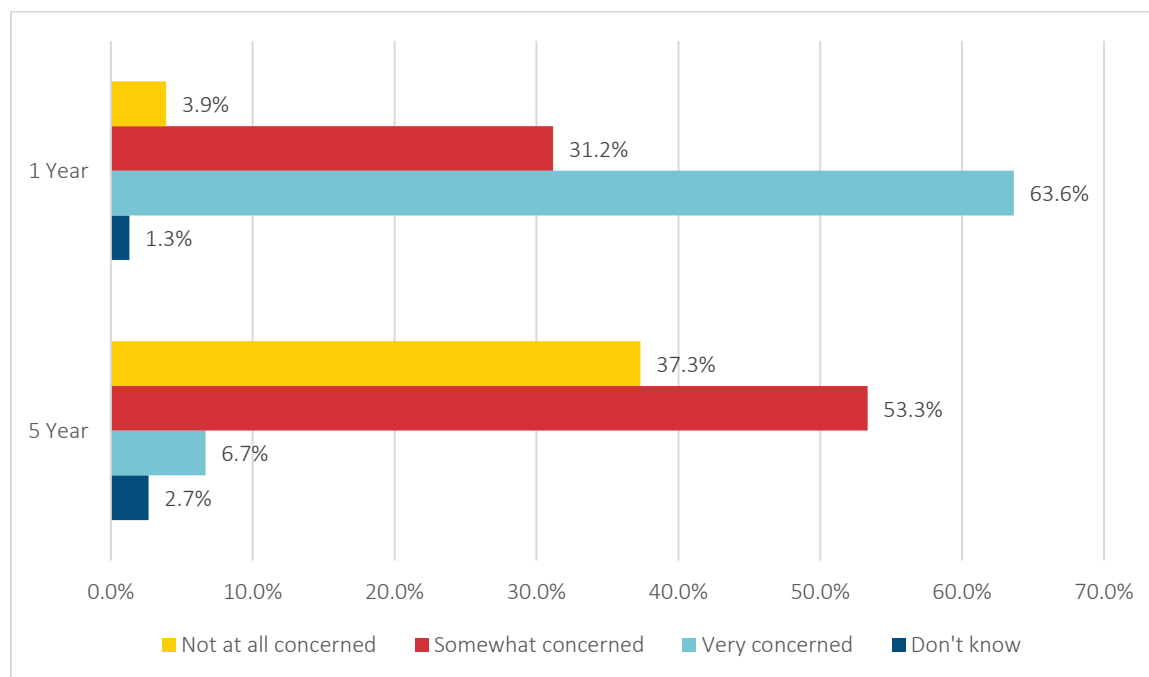
### QUESTION 2 – CREDIT SPREADS

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Credit Spreads)



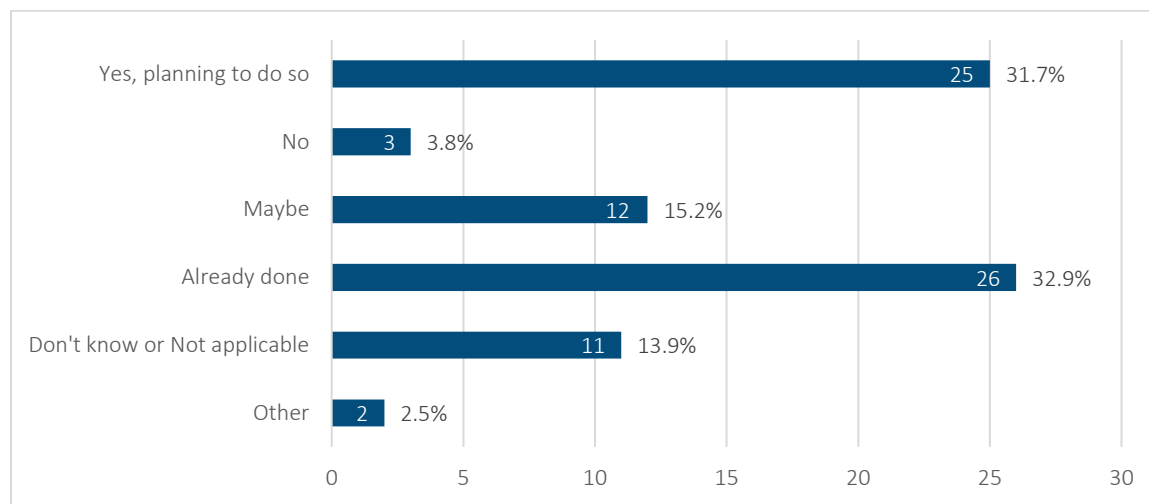
### QUESTION 2 - VOLATILITY

How concerned are you about the impact of COVID-19 on the following asset risks in each of the time horizons shown below? (Selection: Volatility)



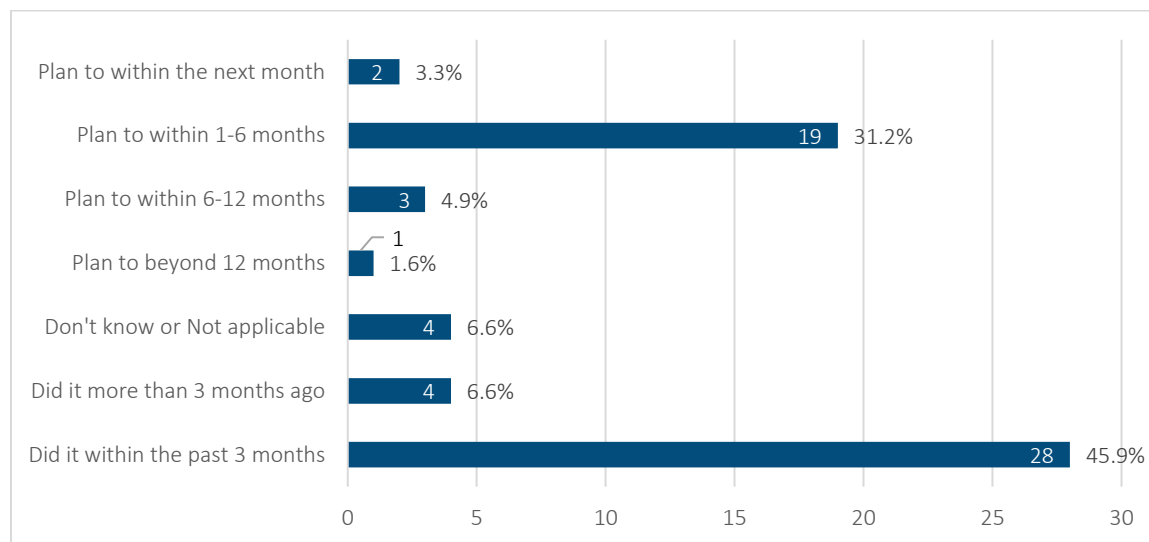
### QUESTION 3

Because of COVID-19, have you or do you plan to change any of your base financial models or do additional sensitivity testing?



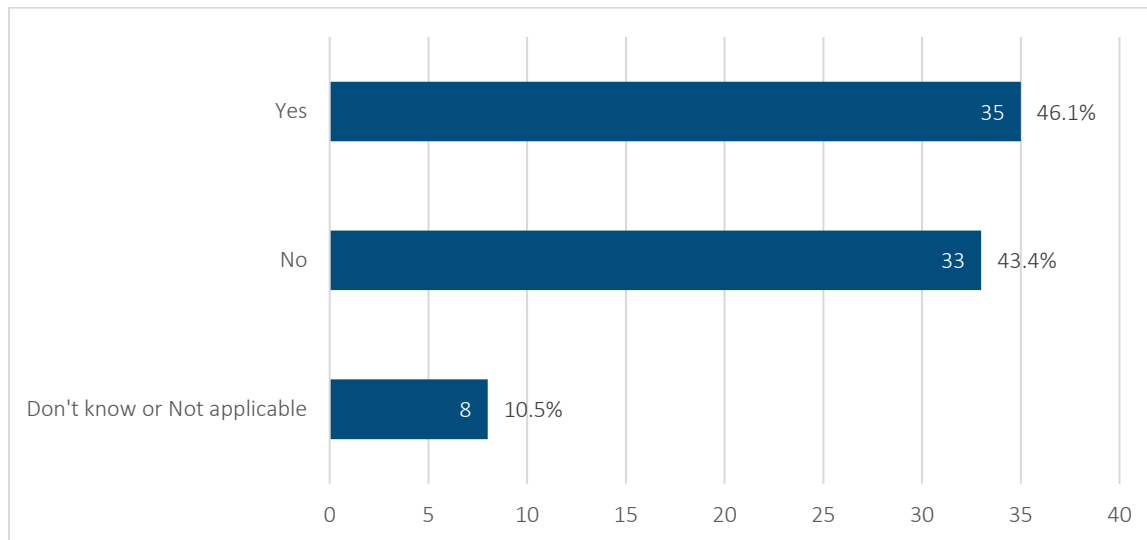
### QUESTION 3A

When did you or do you plan to change any of your base financial models or do additional sensitivity testing due to COVID-19?



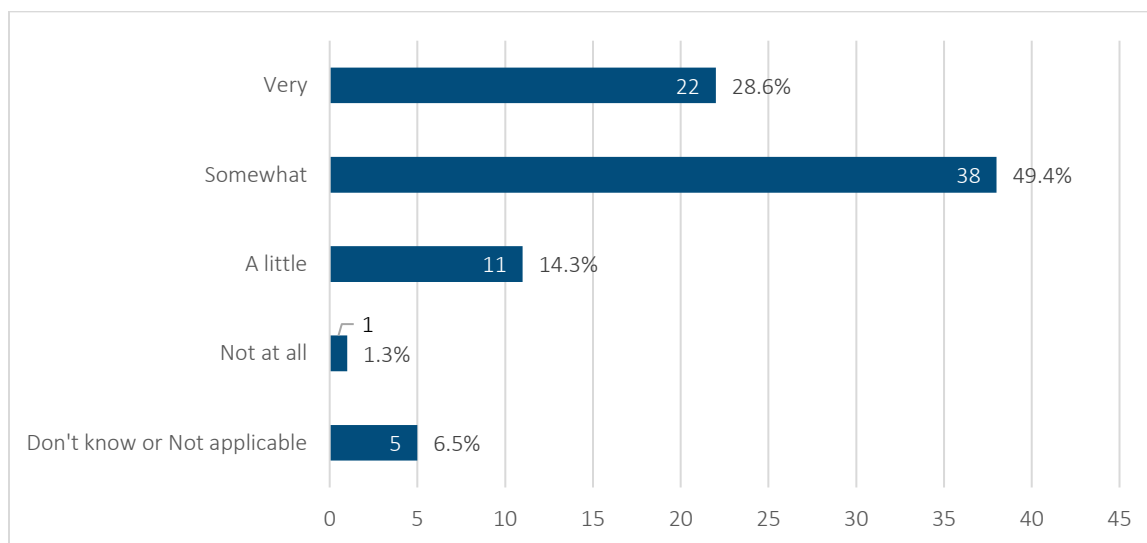
**QUESTION 4**

Do any of your models include scenario testing for the impact of negative interest rates?



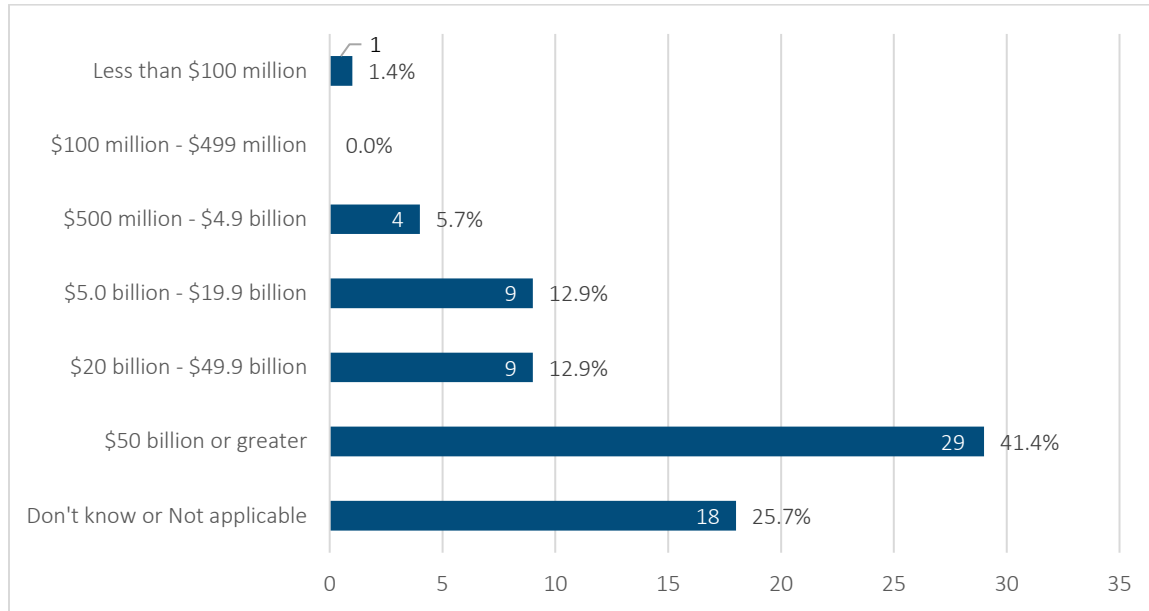
**QUESTION 5**

How concerned are you about the impact of COVID-19 on recoveries of fallen angels (downgraded from investment grade to junk)?



**QUESTION 6**

If applicable, what are the assets under management at your firm?



**QUESTION 7**

Are there other types of information you would like the Investment Section to explore in future surveys?

Respondents were primarily interested in future work that explores interest rates and modeling, including negative rates. Other thoughts included long-term impact of government monetary and fiscal policy.

## About The Society of Actuaries

With roots dating back to 1889, the [Society of Actuaries](#) (SOA) is the world's largest actuarial professional organizations with more than 31,000 members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

**Objectivity:** The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

**Quality:** The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and nonactuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

**Relevance:** The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

**Quantification:** The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

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