

Closed-Door Discussion on Economic, Business Implications and Financial Costs of COVID-19

Wednesday, 31 March 2021
Lecture Theatre, Faculty of Law, Block B
Lee Kuan Yew School of Public Policy
National University of Singapore

UK Financial Risk Management: Lessons from Covid

Institute of Policy Studies roundtable, Singapore

Colin Wilson

31 March 2021

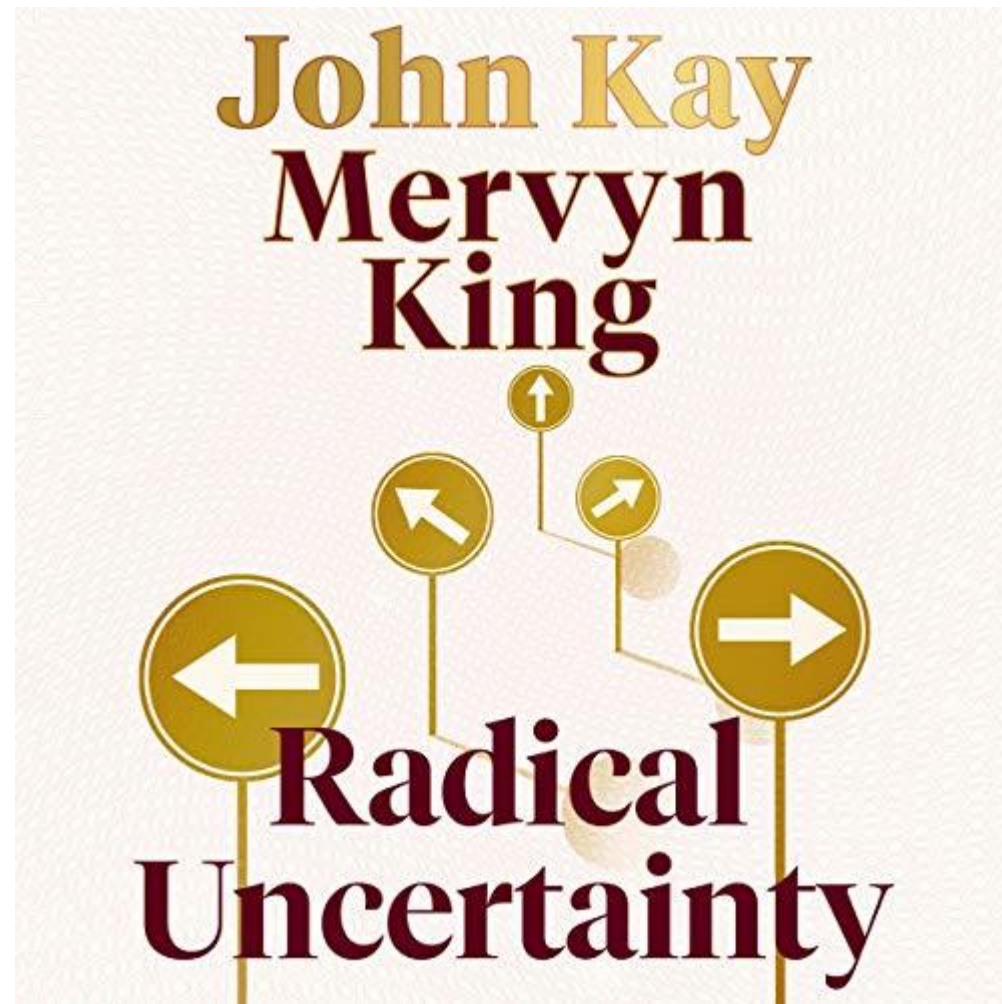


Themes

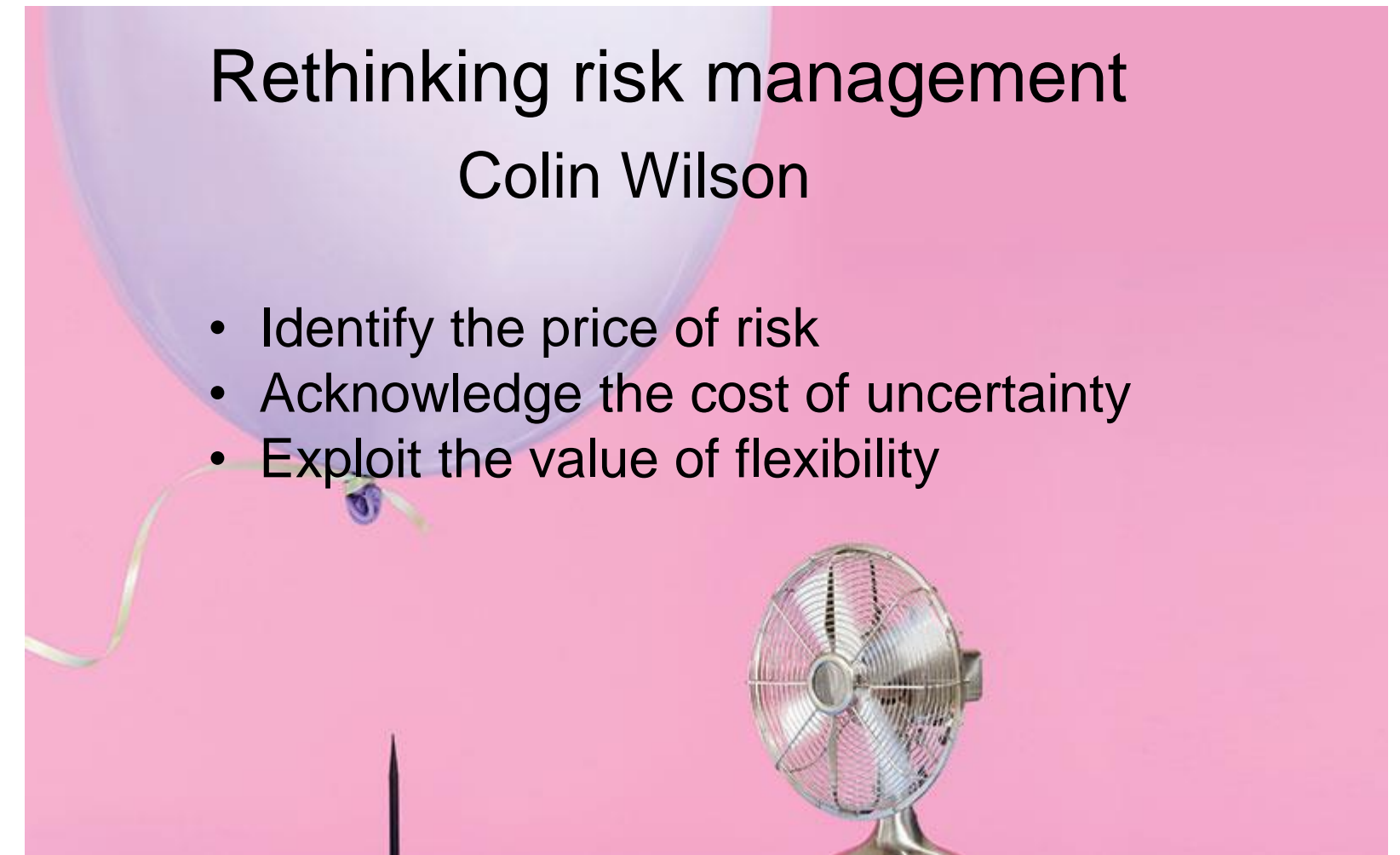
- Covid has reminded us that the world is unpredictable
- But is only one of many potential hazards
- So we need resilience not just efficiency
- Who really bears the risks?
- Government as insurer of last resort
- What makes a good system?



Uncertainty may be resolvable or radical



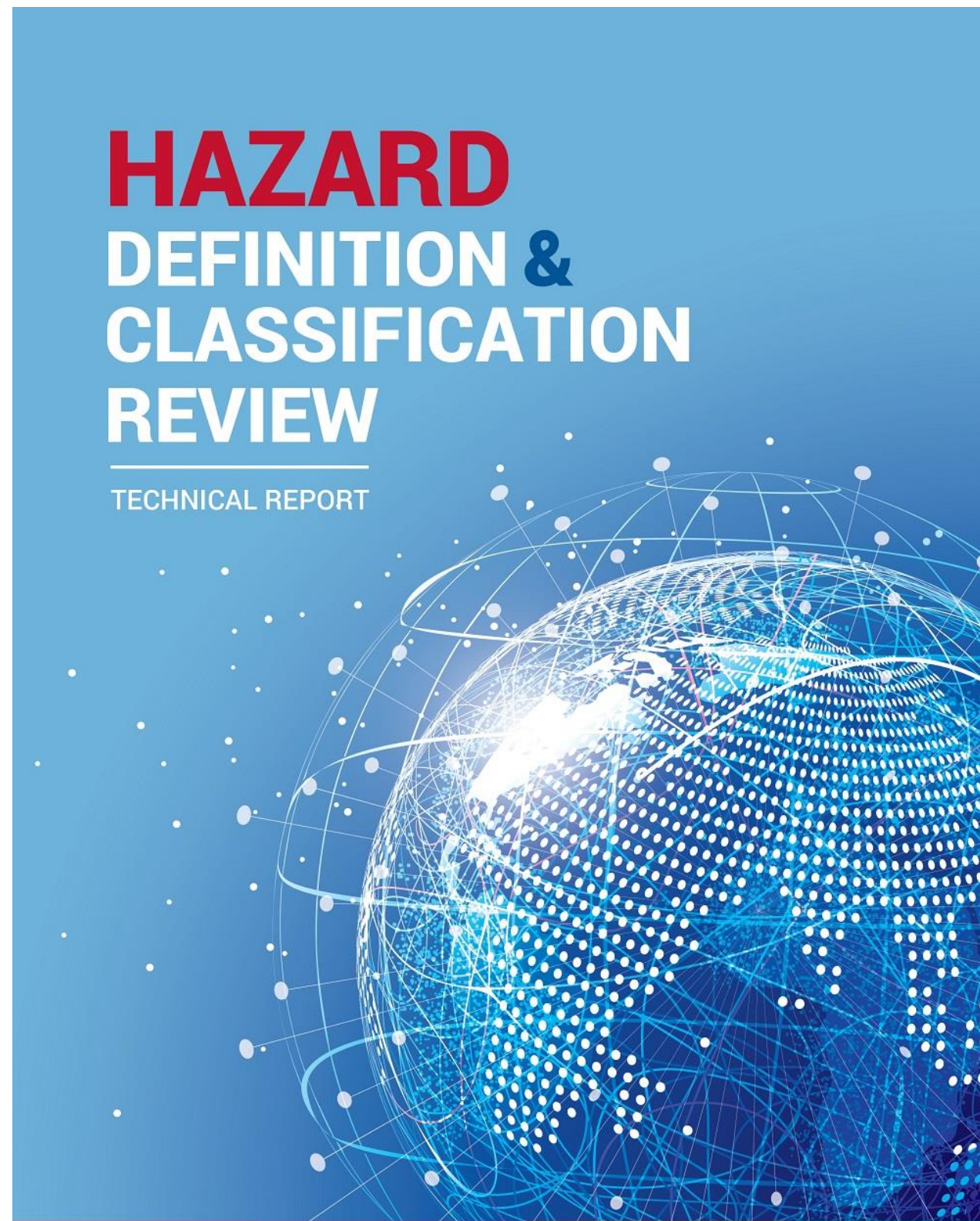
The Bridge Street Press, 2020



The Actuary, October 2020



There are many hazards



- International Science Council identified 302 hazards in 8 categories:
 - Biological
 - Hydrometeorological
 - Technological
 - Geohazards
 - Chemical
 - Environmental
 - Extraterrestrial
 - Societal
- Individual, compounding, cascading...



We need to build resilience

- Redundancy and modularity
- Be prepared
- Build in flexibility
- Crisis Lookout Coalition
 - led by Centre for Disaster Protection

**CRISIS
LOOKOUT**
PREDICT & PROTECT



Who bears the remaining risks?

- What is fair?
 - Who benefits from the activity generating the risk?
- What is practical?
 - Global interconnectedness, externalities, public goods
- At what level can & should risk be pooled?
 - Individuals, communities / affinity groups, nations
 - Limits of private insurance
 - Government as insurer of last resort



Government as insurer of last resort:
managing contingent liabilities in the public sector

March 2020



Government has taken useful steps to improve the monitoring and management of fiscal risks



- OBR Fiscal risks report (2017, 2019)
- HMT Managing fiscal risks (2018)
- Contingent liability approval framework (2017)
- Establishment of Contingent Liability Central Capability (2021)



How can government meet the costs?

- Costs may be:
 - Reserved for in advance (past revenue)
 - Met from existing budgets (current revenue)
 - Paid by borrowing (future revenue)
- Source of revenue may be:
 - Targetted levies, general taxation, reduced alternative spending



Key questions

- Is the system **effective** in the short term?
 - Do incentives work and avoid moral hazard?
- Is the system financially **sustainable** in the long term?
 - Can it handle *expected* demographic, climate and other changes?
- Is the system **resilient** over time?
 - Is there flexibility to cope with the *unexpected*?

