

GFIA policy recommendations to the Japanese G20 presidency from the global insurance industry

The Global Federation of Insurance Associations (GFIA) commends the decision by Government of Japan to take up “Ageing and its policy implications”¹ as one of the main priorities for the G20 Finance Track. GFIA cannot agree more with Deputy Prime Minister Taro Aso’s statement that “ageing is becoming an important policy issue across G20 economies for both advanced and emerging economies”² at the G20 Symposium “*For a better Future: Demographic changes and Macroeconomic Challenges*”.

GFIA equally recognises that not only developed countries but also “young” countries are - or soon will be - confronted with a rising old-age dependency ratio³.

Governments Face Rising Challenges on Retirement Security

This unprecedented demographic change leads to a widening gap between the social security contributions collected and the pension payments made, thus increasing the burden on public finances. Most countries have already introduced reforms to increase resilience of public pensions, but these have generally resulted in lower expected pension benefits and/or a higher retirement age. In turn, this entails a significant risk of old-age poverty.

In addition, pension adequacy is also a particular concern for certain categories of the population, such as the rising number of workers in non-standard forms of employment, who are likely to have more limited access to public pension and social protection systems.

GFIA therefore takes the view that that governments around the world should further foster funded pensions alongside traditional Pay-As-You-Go public pensions to ensure pensioners throughout the world benefit from adequate pension.

Insurers Can Help Address the Challenge

GFIA is convinced that life insurers, as main providers of occupational and personal pensions, can play a greater role in this globally ageing society. Insurers are able to offer a wide range of pension and insurance products tailored to embrace the different savings cultures, demands and needs across the world.

Traditional insurance pension products play a key role in pension provision in providing **minimum return guarantees** and good **investment returns** by long-term investment and risk diversification, using risk sharing mechanisms such as collective pooling.

Insurance pension products also provide coverage against the following biometric risks: **longevity risks** (the risk that pensioners live longer than expected and outlive their savings), **mortality risks** (the risk that a saver or beneficiary dies prematurely, before retirement age) and **morbidity risks** (the risk that savers might lose their income due to illness or accident and might be unable to pay contributions due to invalidity).

However, for insurers to fulfil their role, i.e. to offer attractive pension products with long-term perspective to citizens, the right conditions need to be in place. Specifically, the regulatory framework applicable to insurers should strike the right balance between prudential and market development objectives. Concretely, this means that the capital required for life insurance products should reflect prudent consumer protection objectives, but also ensure that investments in long-term assets (eg infrastructure) should not be discouraged by regulation.

This issue is particularly important given the role of insurers as institutional investors. With a better ability to invest in long-term assets, insurers would be in a position to play a greater role in the area of quality infrastructure investment, which is another priority for the G20 Finance Track under the Japanese presidency.

Multi-pillar Pension Systems are the Solution

In order to tackle the ageing issue, especially to prevent old-age poverty, GFIA is of the view that multi-pillar pension systems, consisting of funded private pension pillars complementing public pensions, should be further fostered. Indeed, such systems have for years now proven to be the most effective way to ensure both the sustainability of pension systems and the adequacy of retirement provision and should therefore be promoted throughout the world.

GFIA, the body representing the insurance sector globally, is very keen to further contribute to the discussion in GPFII in order to make the world's response to the global challenge a success.

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About GFIA

Through its 41 member associations and 1 observer association, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 64 countries. These companies account for around 89% of total insurance premiums worldwide. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.

¹ https://www.g20fukuoka2019.mof.go.jp/en/outline/pdf/20180107_2.pdf

² https://www.g20fukuoka2019.mof.go.jp/en/meetings/pdf/20190117_3.pdf

³ For more details, please see our recent report "[Older and wiser: Solutions to the global pension challenge](#)"