

Eye on demographics more critical than interest rates

The impact of changing demographics is permanent, and public-private partnerships will be required to solve this societal issue, says **Mr Greig Woodring**, President and Chief Executive Officer, **Reinsurance Group of America, Incorporated**.

By **Benjamin Ang**

While insurance companies are looking at the low-interest-rate environment as something that will go on for a while, it is an issue that could look completely different just five years from now, said Mr Woodring. “However, for the changing demographics with populations ageing – that is going to affect the industry permanently.”

Product redesign

To deal with the low-interest-rate environment, he said, companies have shifted considerably in product design, and are giving more thought to managing costs and their asset classes. “For example, companies are investing more in real assets and infrastructure,” he said

What has changed in product design is the lowering (or omitting) of long-term guarantees tied to specific interest rates, he said. “Clients today are increasingly willing to accept lower guarantees compared to the past, given the current environment.”

Public-private partnerships needed

On the greater challenge of changing demographics, the burden of supporting the aged is increasingly shifting from governments to corporates and individuals.

“The problems are broad and societal. The insurance industry has a role to play and has the solutions, so collaboration between insurance carriers and governments is needed,” said Mr Woodring.

“In some cases, government regulations and tax incentives can pave the way for solutions to be enacted. But we also need to address the ability of the populations to save for retirement, and issues such as under-insurance,” he said.

“The industry can help people convert their savings to reliable long-term income streams that are sufficient for their needs, and also support unplanned health-related costs in their later years,” he said.

And more importantly, the industry needs to step up and be involved because some of the initiatives require long-term changes that sometimes may be difficult for those who may be looking only at the shorter term, he added.

Bright future for the industry

But the future of the industry remains very bright, Mr Woodring said, despite the headwinds such as

the low-interest-rate environment that the industry has been facing since the global financial crisis.

Risks in society are not declining. In fact, he said, the role of the insurance industry in addressing risks will increase over time with the changing demographics. “It is up to the industry to provide relevant products to cater to consumers’ demands,” he said.

As the only major global reinsurer focused primarily on life- and health-related reinsurance solutions, RGA is well-poised to address risks related to changing demographics, he said. “It is a differentiating factor but more importantly, it sharpens the organisation’s focus to create value and come up with solutions as a partner to clients.”

RGA in Asia

Asked about his thoughts of Asia, he said that the region is very important to RGA’s plans.

The North American market has traditionally formed the bulk of the reinsurer’s business, but RGA is slowly shifting to a more balanced approach for growth with a special focus on Asia, which now makes up about 25% of its business, he said.

But the company is not looking to grow through geographic expansion at this moment, with the exception of China. Its subsidiary, RGA Reinsurance Company, recently received a preparatory licence to operate as a life reinsurance branch in China. The branch is expected to begin full operation in 2014.

China was the only “big missing piece” for RGA. “Other than that, we are well-established in the region, with operations in key markets where we want to be,” said Mr Woodring.

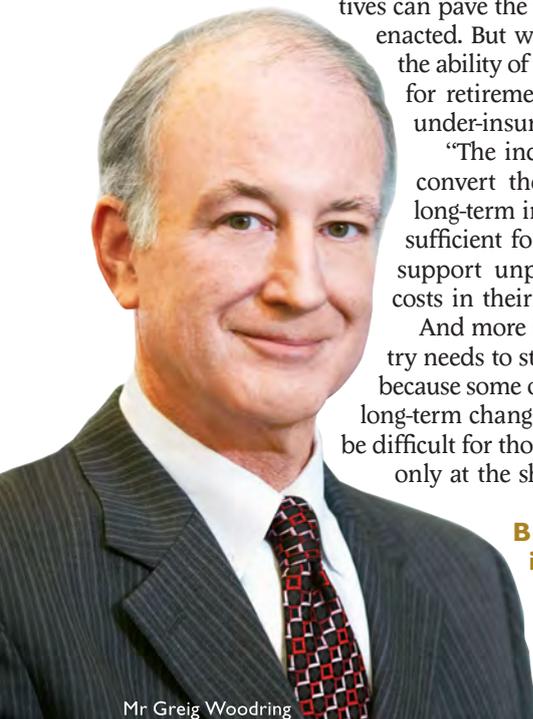
IIS – Onwards and upwards

As Chairman of the International Insurance Society (IIS), Mr Woodring said that the recently concluded IIS 49th Annual Seminar in Seoul was a great success. The Korean hosts have been marvellous, with the programme well-received, he added.

Mr Woodring, who was elected as Chairman of the IIS Board of Directors with effect from 16 June, said that many of the things that have made the organisation successful for the past 49 years will be continued.

In addition, the aim is to lead the organisation onwards and upwards, starting with reaching a milestone with the IIS conference to be held in London next year, its 50th such conference, he said. IIS will be pushing to attract a distinguished panel of speakers and to target a large number of participants in London, the city which is the birthplace of modern insurance.

Moving forward, the organisation will become even more important given that today’s fast-changing global economic environment requires the industry to be actively engaged in a global exchange of ideas, he said, adding: “I look forward to working with other insurance leaders, regulators and scholars to further the IIS mission.”



Mr Greig Woodring