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Study of Insurance Economics

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## The Four Pillars

Research on Social Security, Insurance and Retirement

# Geneva Association Information Newsletter

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## **The Geneva Association**

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator. It is the leading voice of the largest insurance groups worldwide in the dialogue with international institutions. In parallel, it advances—in economic and cultural terms—the development and application of risk management and the understanding of uncertainty in the modern economy.

The Geneva Association membership comprises a statutory maximum of 90 Chief Executive Officers (CEOs) from the world's top insurance and reinsurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations. The Geneva Association's annual General Assembly is the most prestigious gathering of leading insurance CEOs worldwide.

Established in 1973, The Geneva Association, officially the "International Association for the Study of Insurance Economics", is based in Geneva, Switzerland and is a non-profit organisation funded by its members.

For more information please visit [www.genevaassociation.org](http://www.genevaassociation.org).

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## **The Four Pillars—Research Programme on Social Security, Insurance, Savings and Employment**

In 1987, The Geneva Association launched its "Four Pillars" Research Programme with the aim of identifying possible solutions to the problem of the future financing of pensions and, more generally, of social security in our modern societies. It saw in demographic trends—particularly increased life expectancy—not the catastrophe many feared, but a positive and formidable challenge for our communities and firms and for the workforce within them.

This challenge meant rethinking retirement in the context of a new design for employment throughout the lifecycle so that people, rather than being relegated to a role of inactive consumers, could work later in life, remain socially integrated and continue to make a valid economic contribution to our service economies.

The concept of the Four Pillars owes its origin to the fact that, in most countries, the funding of pensions is based on three pillars: 1) the 1<sup>st</sup> pillar—the compulsory, pay-as-you-go, state pension; 2) the 2<sup>nd</sup> pillar—the supplementary (often funded-based) occupational pension; 3) the 3<sup>rd</sup> pillar—individual savings (personal pension and assets and life insurance).

In our publications and seminars, we have advocated the adaptation of the 1<sup>st</sup> pillar, a strengthening of the 2<sup>nd</sup> pillar and further development of 3<sup>rd</sup> pillar resources. However, our attention has focused above all on a 4<sup>th</sup> pillar, i.e. the future need for a flexible extension of work-life, mainly on a part-time basis, in order to supplement income from the three existing pillars. The reorganisation of end-of-career and the new age-management strategy—in which *gradual retirement* is destined to play a key role—involved in establishing this pillar, also correspond to many of the changes (for example in quality of work and the lifecycle) that are specific to our contemporary service economies. The Geneva Association, together with other institutions in increasing numbers, believes that the thinking behind the Fourth Pillar concept should now be extended to employment as a whole as *generalised part-time work is destined to become the key to reconstructing our welfare society in the new millennium*.

### **The Geneva Association Information Newsletter—The Four Pillars, No 49, September 2011**

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## I. EDITORIAL

## Life Insurance Following the Financial Crisis

By Patrick M. Liedtke\*

As the world's financial markets are moving from one predicament to the next (U.S. mortgages, international banking, sovereign debt, currencies) as part of the larger and still looming financial crisis, there seems to be little light at the horizon for insurance companies. Too often—especially in the case of life insurance companies—they are considered analogous to banks. As a consequence, they have suffered almost in lockstep with the banking sector despite having a fundamentally different business model and different kinds of exposures. The Geneva Association has in various publications over the past three and a half years written extensively about this phenomenon and tried to bring more clarity to the discussion.<sup>1</sup> However, still today, a lot of confusion remains and not only with politicians and the general public but unfortunately also financial experts, especially those with little exposure to the particularities and intricacies of the insurance business.

The result of this situation, where uncertainty about the future economic environment meets concerns about a wave of new and far-reaching regulatory projects, has been that views about the prospects for the industry have split into two opposed camps: the optimists, who see the opportunities arising from a reshaped post-financial crisis environment, and the pessimists who see the dangers lurking ahead. In this editorial we shall summarise briefly some of the positions at both camps and share their differing views. As this newsletter is primarily concerned with life insurance matters, pension issues and old-age security, we shall of course focus on the life insurance perspective.

### 1. General life insurance market development

- a. The optimists: There is plenty of opportunity in now growing markets as world life insurance premiums are picking up. While growth was depressed during the financial crisis (falling over 5 per cent in 2008 and almost 1 per cent in 2009 in real terms), a healthy plus of 3.2 per cent was achieved in 2010 for world life insurance markets (cf. Swiss Re's *sigma* publications). So even if 2011 turns out to be a difficult year, the longer-term prospects are good as people and markets make up for lost ground.
- b. The pessimists: A lot of the newfound growth comes from emerging markets which will not be able to compensate for the underperformance of the developed economies. U.S. life markets almost imploded in 2009 when they declined by 13 per cent in real terms and while the contraction in 2010 was 'only' about another 1 per cent, this comes on the back of a very expansive monetary policy with massive liquidity provision. The U.K. life market continues to shrivel (minus 12.2 per cent in 2009 and minus 3.3 per cent in 2010) while some of the success stories that kept continental Europe going (like Italy and France) are seeing lower growth now. We will see a mixed development marked by stagnation at best.

### 2. Unprecedented need for insurance and old-age protection solutions

\* Secretary General and Managing Director of The Geneva Association.

<sup>1</sup> See for example, Geneva Report No. 3, *Anatomy of the credit crisis : An insurance reader from The Geneva Association* (January 2010), [http://genevaassociation.org/PDF/Geneva\\_Reports/GA-2010-Geneva\\_report\[3\].pdf](http://genevaassociation.org/PDF/Geneva_Reports/GA-2010-Geneva_report[3].pdf); Special Reports of The Geneva Association Systemic Risk Working Group, *Systemic Risk in Insurance: An analysis of The Geneva Association Systemic Risk Working Group* (March 2010) [http://genevaassociation.org/PDF/BookandMonographs/Geneva\\_Association\\_Systemic\\_Risk\\_in\\_Insurance\\_Report\\_March\\_2010.pdf](http://genevaassociation.org/PDF/BookandMonographs/Geneva_Association_Systemic_Risk_in_Insurance_Report_March_2010.pdf), and *Considerations for Identifying Systemically Important Financial Institutions in Insurance: A contribution to the Financial Stability Board and International Association of Insurance Supervisors' Discussions* (April 2011) [http://genevaassociation.org/PDF/BookandMonographs/GA2011-Considerations\\_for\\_Identifying\\_SIFIs\\_in\\_Insurance.pdf](http://genevaassociation.org/PDF/BookandMonographs/GA2011-Considerations_for_Identifying_SIFIs_in_Insurance.pdf); Insurance and Finance SC1, *Credit Crisis and Insurance—A comment on the role of the industry* (November 2008), [http://genevaassociation.org/PDF/Insurance\\_And\\_Finance/GA2008-I&FSC1-Liedtke.pdf](http://genevaassociation.org/PDF/Insurance_And_Finance/GA2008-I&FSC1-Liedtke.pdf); Insurance and Finance SC9, *The global financial crisis and the insurance industry—Frequently Asked Questions* (March 2010), [http://genevaassociation.org/PDF/Insurance\\_And\\_Finance/GA2009-I&FSC9.pdf](http://genevaassociation.org/PDF/Insurance_And_Finance/GA2009-I&FSC9.pdf).

- a. The optimists: The financial crisis has not resulted in less of a need for people to protect their livelihoods and especially a stream of income for old-age. Once the current phase of disorientation for some and uncertainty for others is over, life insurance markets will pick up strongly.
  - b. The pessimists: The financial crises have led to an ongoing slump and a deep-seated mistrust of financial actors. Consumers do not discern much between risky banks and inherently much more stable insurers. Old-age income protection will continue taking a back-seat to consumption. The recent experience will depress market growth for several years.
3. Financial literacy and basic understanding of financial needs
- a. The optimists: The financial crises have served and are serving as a training ground for financial literacy. Consumers understand more about financial risks than ever before and are more sensitive to it. Better informed and well-educated consumers realise that life insurance policies and annuities are valuable elements of the old-age income planning process and they will increasingly use these tools.
  - b. The pessimists: The crises have scared people and they will stay away from complex products. Many life insurance products are difficult to understand and almost impossible to value by ordinary consumers. If anything they will use their money to reduce their mortgages or put it in base products, like equities, directly.
4. Risk-shift from public to private
- a. The optimists: The long-term trend for nations to lay off risks to their citizens (especially for old-age security) and for employers to leave it with their employees (see the defined benefit to defined contribution transition) will drive markets. Individuals, confronted with a situation in which they bear most of their risks directly, will need to find parties to lay it off. Life insurers are such parties and offer attractive products to take care of people's need for a more proactive management of old-age income streams.
  - b. The pessimists: Many consumers are not sensitive enough to this trend and react only slowly. They exhibit myopic behaviour when confronted with old-age security challenges and prefer to stay in existing schemes (even when they are turning out to be more moderate) rather than becoming active on their own. Their low inclination to plan ahead will remain for some time and they will not be searching for new solutions any time soon.
5. Regulation and supervision
- a. The optimists: The wave of new regulation and better supervisory practices will have a substantial and lasting impact on financial markets. Once the problems are solved, the resilience of the financial system will be higher and the environment for financial business much better. Faith in the banking sector will return and a new surge in business will result.
  - b. The pessimists: Many of the regulatory projects under discussion and readied for implementation suffer from too much complexity, high costs, inefficient overlaps and erroneous incentives. The too often panicky pace with which some projects are devised and implemented will generate inefficiencies and additional costs that will encumber the economic performance for many years before the self-created problems are finally sorted out. As several important shortcomings remain unaddressed and as additional regulatory burden is introduced where it is not needed, the reforms will weigh heavily on business prospects and economic growth.
6. Insurer reputation
- a. The optimists: The insurance industry came through the crisis well and showed resilience where other financial institutions experienced severe distress. Consumers will not forget who needed to be saved by government programmes and why. Insurance markets continued to function properly throughout the crisis. As a result, insurers' reputation will continue to grow, facilitating new business.
  - b. The pessimists: Insurers' reputation remains a challenge for the industry, especially for the companies selling life insurance. The mistaken belief that AIG was typical for problems affecting not only financial conglomerates but also large (life) insurers will linger. That there

was no wave of insolvencies in insurance does not penetrate the mass consciousness. Consequently, consumers will remain wary.

At this stage, it is difficult to predict the mid-term development for life insurance with any certainty, especially since the scenarios on future inflation and the development of interest rates vary so widely. However, long-term the positive view of the optimists should win out, especially if the sector helps to make it happen. For that to occur, some elements are necessary: restraint from governments in (unnecessarily) burdening the industry, adeptness from regulators in devising the right regulation, resistance from supervisors to the urge of overstretching, and dynamism and energy from life insurers.

## II. SPECIAL FEATURE I

### Charting a New Course: The Future of Life Insurance in India

By *Bernhard Florian Kotanko\** and *Atul Khosla\**

#### Introduction

The Indian life insurance industry has played a significant role in the development of the country's financial services sector. It has seen sustained growth since opening up to private players and while there remains huge growth potential, recent regulatory changes have pushed the industry into a state of flux. In spite of this we are bullish about the long-term prospects of the industry when taking into consideration the underlying demographic and macro-economic drivers. The industry's growth will be fuelled by a demand for both protection and investment products, given the country's savings-oriented culture, the overall growth outlook and the distribution reach for insurance.

\* \* \* \* \*

The Indian life insurance industry currently comprises 23 players with more than 11,000 branches and approximately three million agents. A strong growth in gross written premiums has already placed India at world average level in terms of penetration relative to GDP, and insurance (both life and non-life combined) has grown to become the second largest of the country's financial services industries in terms of market revenue. However, the industry has followed a different path in comparison to other markets and the growth in business volumes has been driven mainly by unit-linked insurance policies (ULIPs), and although the insurance penetration is reasonably high, average case sizes and insurance density remain small.

The recent spate of regulatory changes is unprecedented in terms of their scope and the immediate impact on players. With further regulatory changes anticipated, these changes will accelerate the evolution of the industry towards maturity by increasing the urgency to focus on key structural gaps that have persisted in the industry during the period of rapid growth. A skewed product focus, low distribution professionalisation and cost inefficiencies have increased, as growth and gain in market share remained the most important considerations for players in the last decade.

In spite of these structural gaps, the long-term prospects of the industry due to favourable macroeconomic and demographic factors remain optimistic. India ranks amongst the lowest in the world in terms of insurance density, indicating a significant growth opportunity, and the high savings ratio in the country points to a favourable environment for the insurance industry. The future growth of insurance in India will be fuelled by a demand for both protection and investment. The demand for protection is driven by a rising proportion of the middle classes and the mass affluent. Investment products will continue to contribute a significant share of business due to the deeply ingrained savings culture.

\* Partner and Head of EMEA Insurance, Oliver Wyman. Oliver Wyman Group is a leading global management consultancy with 3,000 staff in over 40 offices, its financial services division is one of the world's largest specialised consulting businesses for this sector.

+ Partner and Head of Oliver Wyman India.

The current regulatory changes have provided an opportunity for incumbents as well as new entrants to align their strategies to emerging trends in the market. Six key trends will dominate the development of this industry in the near- to mid-term:

### **1. Shift in product mix**

With the new regulations surrounding ULIPs, the attractiveness of these products has been diminished for manufacturers and distributors, as well as for customers looking for quick speculative gains. With the shift in product mix away from the most popular ULIPs, there is a clear need for customer profiling, product innovation and distribution retooling to address the evolving needs of different customer segments.

### **2. Increased focus on sales quality**

One of the most important drivers for recent regulatory changes is the regulators' determination to curb mis-selling, which is proportionally much higher in India due to low awareness amongst customers, poor training of the sales force and short-term performance-focused incentives. Insurers will have to respond to mis-selling concerns by designing better products with strong stories around customer needs and improving the training of their sales forces to correctly identify customer needs. The need to focus on sales quality has become more critical than before as insurers are forced to better manage profitability.

### **3. Reduced dependency on tied agents**

As seen in the evolutionary life cycle of developed life insurance markets, we expect increasing contributions from non-agent channels like bancassurance, brokers and direct selling in India. Lowering of commissions, expected regulations on agent productivity, an increased emphasis on persistency and more selective recruitment by insurers will all mean a shake-up to India's three million strong agent force.

### **4. Improvement in sales force productivity**

In order to maintain business volumes, insurers will have to focus on improving the productivity of their sales forces. The average productivity of agents will improve markedly with the removal of less productive agents from the force and an increase in the productivity of remaining agents (in order to maintain similar earning levels). Insurers will have to support this improvement in productivity by running specialised campaigns to enable agents to be more effective. Similarly for proprietary sales forces, insurers will focus on improving productivity to cope with reduced revenues.

### **5. Emergence of new distribution channels**

As an increasing number of customers become financially savvy, we foresee the emergence of advisory-based distribution models. Financial advisors distribute life insurance along with other financial products that keep the needs of the customer in mind. Globally both financial advisors and brokers have co-existed in large markets. The squeeze on life insurance distribution commissions due to recent regulatory changes will accelerate the emergence of financial advisory channels. Existing insurance brokers and corporate agents will move towards an advisory model to tap a larger share of the customer's wallet.

### **6. Cutbacks in spending**

In the last decade, as Indian insurers focused on growth and market share, they invested heavily in building large distribution setups. This resulted in higher operating costs for Indian players by comparison to their international peers. Also, fixed distribution costs make up a large proportion of total costs. Recent changes have brought these inefficiencies to the forefront and increased the urgency for cost reduction and agility. Many insurers have already initiated various cost reduction programmes and we expect this trend to continue.

There are clear winning strategies that players can adopt to successfully capitalise on the opportunity provided by this phase of uncertainty:

#### **1. 'Insurance can be interesting!'—Drive product innovation and sales focus to meet evolving customer needs**

Insurers in India have largely followed a mass market approach to product development, but it is time for insurers to differentiate their strategies based on customer focus and product innovation. Insurance

offers different value propositions to different customer segments and the key to product innovation is two-fold: to recognise a target customer segment and develop products closely related to the identified needs, and building strong product stories relating to customer emotions. Investment in building key capabilities will be required to drive product innovation and customisation, and due to the increasing focus of the market on risk and protection-based products, risk management capabilities will become particularly important.

A point of differentiation for life insurance companies will be the investment capabilities it can offer its customers. Improved investment capabilities will gain increasing importance as customers push for better terms for protection products and higher returns on investment products. A real enabler however would be changes in regulations governing the investment function of life insurance companies, which at present are restricted to making investments in a limited range of asset classes in local asset markets.

## **2. 'Suit up': Kick start programmes to drive professionalisation of agents and proprietary sales forces**

Focused sales force professionalisation programmes can lead to significant improvements in productivity. However these programmes' objectives should include not only productivity improvement, but also an improvement in overall sales quality. Policy persistency is more critical than ever before to ensure that the business can remain profitable in the new environment. High impact professionalisation can be achieved by tailoring all actions to the needs of individual sales people, and developing differentiated sales force models for steering and target-setting, support and training, leadership intensity and roles, and selling tools and productivity measures. Proprietary sales force professionalisation can be best achieved by adopting a systematic sales approach, based on the industrialisation of processes and smart information management to create a highly efficient sales force with clearly defined roles for different teams.

## **3. 'Strategically yours': Build a truly strategic bancassurance partnership**

Better mutual understanding and tailoring, higher willingness to invest and aligned incentives mean that a strategic bancassurance partnership clearly outpaces plain vanilla commercial arrangements between banks and insurers. While Indian banks are currently restricted to distribute only one life insurer's products, the relationship is far removed from the traditional model for strategic partnerships. Without a strategic partnership in place, the bank can choose to focus on one of its many offerings and revise its priorities independently. Hence the insurer is obliged to invest heavily in relationship managers at each hierarchy level to bring in insurance business volumes. A strategic partnership changes the rule of the game for both the bank and the insurer and creates value for both. In the event of the regulator allowing banks to distribute multiple insurers' products, a strategic partnership becomes even more relevant.

## **4. 'Diamonds in the rough'—Be selective in continuing ties with brokers and transform key relationships into a key account model**

Out of the total new business premium generated by life insurers, around 10 per cent comes from brokers and corporate agents, allowing insurers to gain easy access to a large customer base. Today, large life insurers commonly manage around 50 brokers and corporate agent relationships, with some players managing a couple of hundred partners. The true cost of managing such relationships is significant as, until now, insurers have invested in building partnerships even if the broker has consistently under-delivered on sales targets. Given the pressure on margins, it is critical to identify a few valuable broker relationships with long-term relationship potential, and develop a key account model.

## **5. 'The journey ahead is about costs'—Undertake programmes to reduce costs by process improvement and operational redesign**

Many players have already initiated cost reduction programmes by balancing tactical measures for process improvement and strategic initiatives on process redesign. Tactical measures can be identified through value-based cost management, a fundamental review of daily activities, functions and investments, identification of slack in the existing processes and, with this information, a resultant re-engineering of existing processes. Cost efficiency measures must be executed with a careful assessment of their impact on the whole organisation. We recommend a value-based cost reduction

approach that includes an in-depth review of activities, functions and investments to identify the cost reduction opportunities. This approach takes into consideration the importance of balancing austerity and investment in a growth environment like the Indian life sector.

\* \* \* \* \*

Now is the time for insurers to look at transforming their current life business or to build the next generation life insurance business in India. The life insurers that choose to pursue the management agenda described in this report effectively will capture the tremendous opportunities in one of the world's most exciting, challenging and especially rewarding life markets.

### III. SPECIAL FEATURE II

## Global Employment Challenge <sup>2</sup>

By Garry Jacobs\* and Ivo Šlaus<sup>+</sup>

Today's youth are apprehensive of growing competition from abroad for scarce job opportunities in an increasingly globalised labour market, resulting in rising levels of unemployment and progressive deterioration of social support systems. The swelling ranks of elderly and retired workers worry that their savings and pension funds will be inadequate to support current life styles during the prolonged period of retirement. Falling birth rates, increasing longevity and the end of the baby-boom have resulted in a smaller working population in OECD countries to generate tax revenues to support retirement and social security funds. In addition, rising levels of unemployment aggravate the problem of funding pensions and balancing government budgets. Governments are increasingly unable to finance welfare systems, because fewer employed workers are contributing tax revenues to support the growing numbers of the working age unemployed and expanding population of the elderly. Thus, generating employment for youth today is essential for financing retirement of a growing elderly population.

These trends appear to signal the approaching limits to prosperity, an end to the better future that successive generations have inherited for the last half century. In truth, they signal only the limits of current concepts, priorities and policies. It is not the potential for job creation, economic growth and prosperity that have been exhausted, but rather the potential of outdated values, theories and strategies. For decades economic growth has been regarded as the remedy for all social ills. More recently, reliance has progressively shifted from the performance of the economy to the performance of financial markets. Many contemporary economic thinkers would have us believe that this is a natural, indeed inevitable, consequence of increasing technological development, globalisation and efficient markets. In fact, the process is neither natural nor inevitable. It is rather the inevitable product of increasingly fragmented concepts and policies.

### Right to employment

The recent financial crisis and its economic repercussions point to the need for a reconsideration of fundamental economic goals and objectives. Prevailing policies are the result of a divorce between employment, economy, finance and society. We have lost sight of the fundamental aim of the economy, which is human welfare not growth for growth's sake, and the essential linkage between employment and social welfare, so evident to economic reformers from the time of Adam Smith to the Great Depression and up to the end of the Second World War. Employment and the purchasing power it generates form the bedrock of national prosperity, the principal source of economic security for the

<sup>2</sup> Based on a paper presented at the International Conference on Concerted Strategies for International Development in the 21<sup>st</sup> Century organised by the Club of Rome in Bern, Switzerland, on 17-18 November 2010 and published in *Cadmus Journal* (April 2011),1(2) p. 60. Available at <http://www.cadmusjournal.org/article/v1i2april2011-global-prospects-full-employment>.

\* Garry Jacobs, Chair, Global Employment Challenge Project and Treasurer, World Academy of Art & Science; Vice President, The Mother's Service Society, Pondicherry, India.

<sup>+</sup> Ivo Šlaus, Chair, Board of Trustees, World Academy of Art and Science; Member, Club of Rome.

individual and the spur for economic growth of the collective. Failure to ensure employment opportunities for all job-seekers saps vitality from the core of any economic system and undermines the other pillars on which it is based. Recognition of this simple truth was the philosophy that underlay America's New Deal and the post-war boom in Europe.

Two centuries ago, Adam Smith identified the proportion of the population employed and the skills of the workforce as the primary determinants of the wealth of nations. In other words, economic growth and growth of employment opportunities went hand in hand. But in the post-industrial economy, technology can be applied to multiply production and stimulate economic growth with little or no increase in human labour. This compels society to find ways to redistribute the privileges, benefits and social security associated with employment to cover all its members.

In recent decades, the problem has been aggravated by the growing divorce of financial markets from the underlying economies they are intended to support, the preoccupation with corporate profits at the expense of household incomes and rising levels of income inequality. Finance is a subset of economy as economy is a subset of society. Fragmented thinking results in policies that support the part at the expense of the whole. The insurance and pension industries depend for their vitality on the vitality of the underlying economy, which means on the increasing prosperity of the average citizen. A system that encourages and rewards speculative investment, while taxing employment, is squandering its own future for the sake of nominal present gains. A system which measures results in terms of total economic growth, disregarding the increasing concentration of wealth in the hands of a smaller and smaller portion of the population is destined for eventual bankruptcy.

Employment and equitable income distribution are not merely necessary inputs for economic growth; they need to be recognised as essential conditions and fundamental rights—the economic equivalent of the right to vote in democracy. In a market economy, they are the essential means for providing each individual and family with the purchasing power required for their own livelihood and to generate the demand needed to support rising production and income levels for others. Policies designed to manage fiscal deficits and inflation rates to maintain the confidence of bond holders and investors can never successfully replace or supplant the primacy of policies that ensure expanding job opportunities for all that seek them.

### **Employment and social stability**

Any system that ignores the centrality of remunerative employment opportunities undermines not only the prospects for its youth and the security of its elderly, but also the very basis for its own future viability. Youth unemployment is of particular concern. Not only does it mar the prospects of the next generation; high levels of youth unemployment are also associated with rising levels of social unrest and violence. The youth unemployment rate was 28 per cent in Greece when the first public demonstrations, strikes and protests broke out in 2007. At the end of 2010, the youth unemployment rate in the EU-27 was 21 per cent, reaching a high of 43 per cent in Spain.

The quest for financial and fiscal stability distracts our attention from a much more serious challenge to the stability of society itself. The recent democratic revolution in the Middle East was driven by growing numbers of unemployed youth. Prior to the recent February 2011 protests that toppled President Mubarak, Egypt's GDP had been growing rapidly but too few jobs were created to absorb the educated unemployed. The unemployed, not fundamentalist theology, is the main source of other violent social movements in Asia and Africa, such as the growing Naxalite menace spreading through rural India at a time of unprecedented prosperity. That is the unspoken rationale for India's national rural employment programme, which guarantees a minimum of 100 days of gainful employment to 50 million rural households. While social safety nets in industrialised nations have tempered the frustration and contained the instability to a large extent, younger generations denied the opportunities available to their predecessors will not long remain passive victims. The long-term viability of both economy and society necessitates that we recognise employment as a fundamental human right.

### **Newtonian economics**

So far has economic theory become divorced from social realities that many contemporary theorists would have us believe that these are fanciful or utopian ideals that fly in the face of global evolutionary

trends. They argue that the limit to jobs is as real and finite as the limits imposed on the availability of non-renewable resources, something we must simply accept and learn to live with—or rather without. These conclusions arise from the misguided notion that economics are governed by immutable, universal laws and that we must necessarily accept the consequences of the natural evolution of markets.

A reconsideration of first principles belies this view. In *The Employment Dilemma and The Future of Work*, Orio Giarini and Patrick M. Liedtke challenged the classical view of economics, rejecting a “system of models in the deterministic tradition of Newton’s world as an autonomous, closed, self-regulating universe, running according to predetermined laws, culminating in a static equilibrium.”<sup>3</sup> Economic systems are determined by human beings. They are the product of our aspirations, values, perceptions, and attitudes, and the social organisations we create to realise them. They are the result of human choices made in the past, choices that can be altered at any time.

Temporary constraints apart, is there really any limit to the potential for job creation? The historical record rejects such a notion. The past six decades have been a period of unprecedented population growth, technological advancement, worker productivity and globalisation—trends which apparently make it increasingly difficult to generate full employment. Yet the growth of global employment has actually outpaced that of rapid population growth since 1950; employment expanded 175 per cent, while population rose 164 per cent. Even in countries such as India, whose labour force is the fastest growing in the world—its working age population is projected to rise by 135 million people by 2020—most regions are experiencing an increasing shortage of workers and most employers struggle to recruit both the skilled and unskilled workers they need to sustain growth. Only a small proportion of these jobs are being created by export-oriented or outsourcing industries. The vast majority are the result of rising levels of domestic demand. India’s economy may be growing faster than that of many other nations, but the underlying principle is still valid. The global shortage of employment opportunities is strictly man-made, not the result of any natural limits.

### **Paradox of unmet needs and underutilised resources**

Common sense tells us that both human needs and human capacities are essentially without limit. Indeed, these processes are self-augmenting. The more we develop and draw upon our capacities, the more they grow. The more we satisfy basic human needs, the greater the search for high levels of comfort, convenience, security, status, knowledge and enjoyment. While material resources are apparently limited, there is no such limitation to the development of human and social resources. The creative capacity of human beings for discovery, invention, innovation, organisation, knowledge and skill is infinite.

Economic policy fails in its efforts to reduce unemployment, because it views employment and economy in isolation from the wider society of which they are a part. Modern society faces an apparently inexplicable paradox of its own making. On the one hand, the world is more productive than ever before. On the other, we find that society is increasingly unable to engage and utilise the most precious and perishable of all resources—the human resource. On the one hand, there are approximately three billion people living on less than US\$2.50 a day with a plethora of unmet needs—a seemingly insatiable appetite for food, clothing and housing, higher levels and quality of education, improved health care, faster and more accessible transportation and communication, greater entertainment and leisure activity. On the other, hundreds of millions of capable willing workers are without employment and a billion or more are grossly unemployed. In addition, US\$4-5 trillion in financial assets circle the globe every day searching for higher speculative returns, largely unrelated to meeting real human needs. Our inability to generate sufficient employment opportunities for aspiring youth and experienced elderly workers is the result of institutional and policy failures, not inflexible economic laws.

### **Education and skills deficit**

One significant contributing factor is the growing gap between the educational and skill levels required by an increasingly sophisticated technology and the actual capabilities of today’s working age

<sup>3</sup> Orio Giarini and Patrick M. Liedtke (1997) *The Employment Dilemma: The Future of Work- Report to the Club of Rome*, p. 60. Available at [http://genevaassociation.org/PDF/BookandMonographs/The\\_Employment\\_Dilemma\\_2006.pdf](http://genevaassociation.org/PDF/BookandMonographs/The_Employment_Dilemma_2006.pdf).

population. The rate of technological and social development is far outpacing the rate of development of human and social capital resources. While educational levels are rising everywhere, demand for more education is growing even faster.

The importance of education is clearly reflected in the link between levels of education and unemployment rates. A study prior to the recent recession in the U.S. revealed that those with a high school diploma earned 42 per cent more and had an unemployment rate 36 per cent less than those without a high school diploma.<sup>4</sup> In the Czech Republic, 23 per cent of people who failed to finish secondary school are unemployed, compared to just 2 per cent of university graduates.<sup>5</sup> This same difference exists with respect to unemployment levels for skilled and unskilled workers. In the U.S. those aged 19 and under have an unemployment level that is four times higher than those aged 25 and above who took the time and effort to improve their skills by training. The employment rate for people with low skills is only 49 per cent in Europe, compared to 83 per cent for those with high levels of skill.

At the other end of the age spectrum, the present conception of employment and retirement overlooks the immense value of human capacities—human capital—wasted when people are prematurely retired long before the end of their productive lifespan. Unlike machines which deteriorate with age, human beings learn and mature over time, and often make their greatest contributions late in life, when accumulated experience has distilled into wisdom. Moreover, in a world in which the majority of children are still denied access to quality education and so many other human needs are left unmet, it is unwise and wasteful to neglect or prematurely discard this precious resource. Currently employment starts after the completion of education and is terminated abruptly with retirement around age 65. Extension of the working age by gradually declining levels of part-time work is an important dimension of the overall solution. Fuller utilisation of our most experienced human resources necessitates a very different structure, which might include the commencement of work experience at an earlier age before the completion of education and extend the working life much longer, with a gradual reduction in working hours according to economic need, health and personal choice.<sup>6</sup>

## Conclusion

Rationality necessitates that we examine whether the underlying premises and values of contemporary economy are justifiable in terms of the overall goals and objectives of human development. We are compelled to consider whether a society that meets the needs of only some of its people and does so in such an inequitable manner is anything other than a technologically sophisticated version of the law of the jungle. If civilisation can lay claim to anything more than the most primitive achievements of Nature, it is that civilised society in the modern era purports to be governed by human rights and values, not merely natural ability, power and expediency. The real issue is not whether the policies of the current market-based system result in the most stable and prosperous economy, but whether they issue from the intention to uphold the welfare and well-being of all human beings. Anything less does not deserve the name of knowledge or science and would be unacceptable even were it remarkably successful. The fact that it is increasingly fraught with problems is a saving grace that urges us to reformulate economics as a truly human science. The economic limitations we face today result from limited values that seek to maximise the advantage of some, rather than the well-being of all. Both idealism and pragmatism demand that economic theory and policy be reformulated based on the primacy of human rights and the welfare of all citizens.

The insurance and pension industries are the commercial sectors most closely allied to the welfare of society as a whole and have an important role to play in educating public opinion and public policy as to the necessity and benefits of a fundamental reorientation of both theory and practice.

<sup>4</sup> United States Department of Labor, *Education Pays* (2011) Bureau of Labor Statistics. Available at <http://www.bls.gov/>.

<sup>5</sup> OECD (2004) *Unemployment rates and educational attainment*, Table A8.2b. [http://www.oecd-ilibrary.org/education/education-at-a-glance-2008/unemployment-rates-and-educational-attainment-2006-number-of-25-to-64-year-olds-in-unemployment-as-a-percentage-of-the-labour-force-aged-25-to-64-by-level-of-education-attained\\_eag-2008-tablea8\\_2b-en](http://www.oecd-ilibrary.org/education/education-at-a-glance-2008/unemployment-rates-and-educational-attainment-2006-number-of-25-to-64-year-olds-in-unemployment-as-a-percentage-of-the-labour-force-aged-25-to-64-by-level-of-education-attained_eag-2008-tablea8_2b-en). And OECD (2006) *Education at a glance*, <http://statlinks.oecdcode.org/>.

<sup>6</sup> Ivo Šlaus and Garry Jacobs (2011) *Human Capital and Sustainability*, 3(1): pp. 97-154, Available at <http://www.mdpi.com/2071-1050/3/1/97/>.

## IV. SPECIAL FEATURE III

**Silver Work—An Important Option for the German Economy**

By Jürgen Deller\*

Following the international crisis of 2008 and 2009, the German economy has recovered surprisingly quickly. In 2010 the economy grew by 3.6 per cent, forecasts for 2011 expect a continued annual growth of about 3 per cent. Within the last 18 months the labour market has also recovered. Most indicators have already reached pre-crisis level (Fuchs *et al.*, 2011). Unlike other crises of the last decades, the labour market has not been affected much by this one. Already in mid-2010 it had compensated for the recent developments. Companies had kept employees on their payroll and reduced working hours rather than laying off personnel. Several observers attribute this behaviour to a better understanding of demographic challenges. It seems to be widely understood that demographic satiation will become more severe at the end of this decade. Therefore, it seems advisable to keep qualified staff in the workforce rather than to rehire them later. With qualified staff ready for the economic upswing, companies were able to immediately react to positive market developments. This sounds like a wonderful development; however, all this is happening against the backdrop of a severe demographic crisis that will most probably peak within this decade, a development that threatens the economic basis of Germany for different reasons.

First, as a study by McKinsey (2011) points out, a shortage of qualified labour will be a real challenge in the future. Nine out of ten companies in Germany already expect a shortage of qualified labour within the next ten years. By 2025, the labour force potential will be reduced by about 6.5 million individuals. For Germany, this is a highly critical scenario. Today, qualified labour is missing in several areas, such as in engineering or information technology. Prognos (2009) is even expecting a severe shortage of highly qualified labour of up to 20 or more per cent in virtually every industry in Germany by 2030, except agriculture and raw materials. With the strong economy Germany is experiencing today, the shortage of highly skilled labour might become apparent earlier than expected. This is a major change from the circumstances of the past few decades. Companies used to be able to select their personnel from a labour market with plenty of supply. Now, they are starting to experience a situation in which labour will become a limiting factor for the development of the German economy for the first time in decades.

Second, besides these demographic developments, Germany has become an 'inshoring location' (Neuhaus and Kunze, 2006) in several areas and industries, a change that has gone largely unnoticed. As the authors report, companies such as AMD, General Electric, Honda, or GlaxoSmithKline have located central research and marketing functions in Germany. Such companies are attracted by research and development competence available there. The close cooperation of companies and universities has resulted in innovation clusters that offer highly-skilled specialists. Neuhaus and Kunze (2006) see Germany as a 'high-end inshoring' destination. They also identify one of the new players in this business as Chinese companies. While in the past Chinese textile manufacturers have produced to order for German companies, they are now offshoring to Germany, especially in machine construction. Germany's mechanical engineering industry has an extremely good reputation, and Chinese 'offshorers' require specialised machinery not available in China. To have access to this technology, they invest in Germany, the rationale behind it being market access. For this inshoring movement will increase the demand for highly-skilled labour in Germany adding to the development mentioned previously. Resulting in an even tighter labour market, several German companies are reversing offshoring after experiencing higher costs than expected. As a consequence, they are relocating operations back to Germany.

These two aspects contribute to the unprecedentedly challenging labour market of the future. The quality of the management of the labour market in times of major demographic change will be highly

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critical for the economic and social development in Germany. To prepare for this demographic shift, the country will have no choice but to dramatically raise the productivity of those left in the workforce.

Additionally, one key component of a management concept of the demographic shift can be the employment of Silver Workers, individuals who opt to continue to work in retirement. Based on our research on this topic, the following key recommendations can be made, recommendations that are possibly equally valid for many other countries other than Germany that face similar challenges (cf. Deller, Liedtke and Maxin, 2009, p. 154):

1. Establishment of an attractive legal framework for Silver Workers: The present unsupportive regulatory system needs to be replaced by definite terms that put post-retirement work on a legal foundation and make it attractive. Policymakers should create efficient incentive structures that will promote the development of a labour market for post-retirement work, allowing for a strong fourth pillar of old-age pensions.
2. Incentivise market mechanisms that have to flank Silver Workers in their activities: Since Silver Workers are currently only a group of about 500,000 individuals in Germany, not much attention has been given to other systems and services that need to accompany them in their endeavours. Everything, from accident insurance to pension products, from health insurance to long-term care solutions, from savings mechanisms to annuity products, will have to be rethought as how to best satisfy the needs of the active elderly. Incentivising market solutions in these areas will accelerate the appearance of new solutions and their availability.
3. Promotion of a culture of appreciation for seniors throughout organisations: The still prevalent “mania for youth” seems to be reaching its limits—and not only because of the forecast changes in population structure. We expect a return to the recognition of seniors’ extensive experience, substantial expertise and superior social competencies. Positioning these values in the culture of an organisation will be a prerequisite for attracting not only Silver Workers, but also younger members of the workforce.
4. Repositioning of strategic human resources management and leadership in order to systematically mobilise and integrate Silver Workers: Flexible structures regarding working time and work design, supplemented by appropriate advanced training in order to provide an attractive organisational environment, seem to be helpful to attract Silver Workers and to ensure the availability of their competencies for business needs.

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**V. SPECIAL FEATURE IV****Japan's Challenge:  
How to Activate the Potential of the Silver Workforce in an Ageing Society**

By Katsuo Matsushita\*

**Japan's accelerated shift to an ageing society**

Japan is the front runner in the race to an ageing society. According to the demographic forecast by the government, the percentage of people 65 years and older will increase to 31.8 per cent in 2030, in contrast with 20.2 per cent in 2005 and 5.3 per cent in 1955. Fifteen to 64 year olds will account for 58.5 per cent of the population in 2030 compared to 66.1 per cent in 2005 and 61.3 per cent in 1955. Lastly, people under 14 years old will make up only 9.7 per cent in 2030, versus 13.8 per cent in 2005 and 33.4 per cent in 1995.

This reflects the prediction that the low fertility rate (the average number of children per woman) of 1.27 in 2010-2015 will continue unless drastic policy measures are implemented.

Among people aged 65 to 74, one in 25 is in need of long-term care and among those aged 75 and older, one in four is in need of the same care. Also, life expectancy is forecast to be 81.9 for Japanese males and 88.7 for females in 2030.

If this trend of longer life expectancy continues, the period for which elderly people receive a pension will lengthen and the funding for its liability will be a tough challenge, meaning the pension system will need to be revised, for example, by increasing the eligible age at which a person receives his or her pension (currently 65 years old).

These demographic forecasts indicate that an ever-larger burden will be increasingly shouldered by the working (age of the) population, if policy measures are not taken.

**A strong case for activating the 'Silver Workforce'**

People over 65 years old are more diversified in terms of skill, know-how, life plans, hobbies and health/medical conditions. As long as circumstances allow, they are commonly expected to try to stay healthy, lead independent and active daily lives in order to contribute to reducing the indemnity from medical and long-term care insurance, and to help younger people (65 years old and younger) in lowering their financial burden. They are also expected to contribute to enhancing the GDP per capita, and therefore the Japanese government's fiscal health, by re-joining the job market as the 'Silver Workforce' and increasing the nation's taxable income base. By remaining part of the workforce, older people can have definite life aims and a stronger motivation to live healthily, creating a positive cycle between the quality of individual life and the general economy.

**Necessary policy measures**

As discussed above, given the worsening of the government debt situation and the internationally longer life expectancy of the Japanese population, it is expected that more Silver Workers will continue to work longer.

In fact, while the situation differs by industry sector and company, some Japanese companies have already been valuing their Silver Workforce as company assets, such as experienced engineers with specific know-how and skills, and have been expecting them to coach or train younger engineers.

In other companies, management encourages experienced employees to speak at local schools about the role their company plays in society and the community. These may sound like public relations

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activities, but in reality it is a kind of corporate social responsibility (CSR) activity since employees provide orientation about working life and value pertaining to its younger students.

In Japan, a larger workforce is urgently needed in the long-term care service provider sector. So, the physically healthy Silver Workforce is expected to participate in this sector with growing demand.

Having said that, several policy measures are needed to build structures to promote the Silver Workforce's participation in the job market.

- (1) In order to improve the matching of supply and demand in the workforce, a database should be built. The skills, specificities and an appraisal of each individual Silver Worker must be compiled as a human resource database.
- (2) Better use of Information and Communication Technology (ICT) can allow the Silver Workforce to work flexibly where and when they want.
- (3) In order to encourage employees to prepare for a better work/life balance for example, companies must facilitate skill management, career planning and health management for every employee. The government and healthcare insurers are expected to provide incentives to such an end.

### Challenges ahead

Japanese companies have been facing a business-unfriendly situation for years. Japan has the highest corporate tax rate in the world; the Japanese Yen is more valuable in foreign exchange markets and Japan suffers from inflexible labour market regulations and other unnecessary regulations. Political paralysis and inertia have kept Japan far behind countries like Korea in concluding Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA), putting Japanese companies in a substantially disadvantageous position. These factors combined with the growing markets in Asia and other emerging countries mean that Japanese companies have been forced to increase the portion of production, distribution and sales in foreign countries, by shifting part of their manufacturing plants to these markets.

On top of all this, the huge earthquake and tsunami that hit Northeastern Japan on 11 March aggravated the situation. If the 11 March events had only been about the earthquake and tsunami, the general business environment might not have worsened.

However, TEPCO's Fukushima nuclear power plant problem has caused a strong anti-nuclear power public sentiment. Almost 30 per cent of the country's electricity has been generated by nuclear power. Currently, only 19 out of 54 nuclear reactors are in operation. The operation of these 19 reactors will be suspended for routine inspections and safety checks and may not be restarted if the governments of the prefectures that are hosting these plants no longer allow the operation of reactors in view of the strong opposition and concerns of local communities.

This situation may result in an uncertain supply of electricity and an increase in its price because running costs of natural gas power plants are more expensive than nuclear plants. So, how does this situation affect the strategies of the Japanese companies?

The inconsistent remarks and speeches of the ruling party politicians on nuclear power policy have been aggravating the uncertainties of electricity supply prediction, increasing concerns of business communities. Some of the Japanese companies may seriously consider increasing the pace of moving part of their manufacturing plants to other parts of Asia, the U.S. or the EU, etc.

This concern is an urgent issue, not only for Japanese business people but also for Japanese society as a whole. Or can we expect a much better scenario for the reconstruction of the Japanese economy following 11 March?

To this avail, we might achieve an explosive breakthrough in innovation of new energy resources that results in economic growth and fiscal sustainability with deregulations in the utilities sectors under stronger political leadership. If realised, this paradigm may keep Japanese companies in Japan. And the Silver Workforce may also have more opportunities to activate their potential to its full extent. If this ends as being just another fantasy, our Silver Workforce may face a critical juncture. Japan will continue to face rough roads ahead.

## VI. CALL FOR PAPERS FOR SPECIAL ISSUE ON HEALTH OF THE GENEVA PAPERS

### CALL FOR PAPERS

The Geneva Association Health and Ageing Research Programme  
is pleased to announce a

#### Special issue on Health of

#### ***The Geneva Papers on Risk and Insurance—Issues and Practice***

**October 2012**

We encourage you to submit contributions related to the following areas:

- ◆ The impact of integrating an ageing population in health insurance systems.
- ◆ New health technology and insurance.
- ◆ Development of healthcare systems and the capitalisation debate.
- ◆ The interaction of public and private systems in health care provision.
- ◆ Insuring and managing long-term care risks.
- ◆ Health issues for an ageing population in the workplace.
- ◆ Risk classification in health insurance.
- ◆ Climate change and its impact on health and insurance.

Suggestions for other topics will be considered by the editors.

All contributions will go through a refereeing process. The Editors for this Special Issue are Dr Christophe Courbage ([christophe\\_courbage@genevaassociation.org](mailto:christophe_courbage@genevaassociation.org)) and Prof. Mike Hoy (University of Guelph). Papers should be submitted electronically via the website of *The Geneva Papers* (<http://gpp.msubmit.net/cgi-bin/main.plex>) by **1 February 2012** at the latest.

For further information on *The Geneva Papers*, visit its website: <http://www.palgrave-journals.com/gpp/>

## VII. RECENT GENEVA ASSOCIATION PUBLICATIONS

The Geneva Association is pleased to announce a

#### Special Issue on Longevity of

#### ***The Geneva Papers on Risk and Insurance—Issues and Practice***

*to be published in October 2011*

This volume will be a dedicated issue of selected papers presented at the 6<sup>th</sup> International Longevity Risk and Capital Markets Solutions Conference that was held in Sydney in September 2010.

Longevity risk is an increasingly important risk to recognise, quantify and manage for both pension plan and annuity providers, as well as for governments and individuals. The ageing population and increases in longevity have drawn attention to the management of longevity risk in pension funds, life insurers and health insurers. Governments face the challenge of financing an ageing population with longer life spans and providing an environment conducive to private market solutions. Reinsurers and financial market innovations such as securitisation are critical components in the management of longevity risk. The key themes of Longevity 6 were “Reinsurance and Financial Markets Solutions” and “Government Role, Public and Private Market Solutions”.

This special issue will contain contributions to the academic literature all dealing with longevity risk and capital markets.

All papers are being subjected to the journal review process. The editors for this issue are: David Blake (Cass Business School and Pensions Institute), Christophe Courbage (The Geneva Association), Richard MacMinn (Illinois State University), Michael Sherris (UNSW).

The Geneva Association is pleased to announce its recent publication  
***The Future of Insurance Regulation and Supervision—  
 A Global Perspective***

Edited by Patrick M. Liedtke and Jan Monkiewicz

Published by Palgrave Macmillan

The recent financial crisis has provoked a broad spectrum of regulatory observations and possible responses. Currently, most of these proposals have been quick solutions to politically pressing questions and often only address parts of regulatory systems, but not the whole. At times, the result has been more confusion than clarity. Although historically wide-ranging reshaping has been a common phenomenon following the severe failure of an existing financial infrastructure, there is an important difference this time—the global reach of today's markets and enterprises. Moreover, never before following a banking crisis have so many reforms not only affected the banking sector but also other parts of the financial services sector, such as insurance, the social systems and, of course, our real economy.

The experts who have contributed to this book take a thorough look at the fundamentals of future insurance regulation and supervision, analyse problematic aspects and discuss the global perspectives for the insurance industry.

The book contains 24 chapters, written by international experts, ranging from regulatory bodies (incl. NAIC and the FSA), to insurance companies and associations of insurers (incl. Swiss Re, The Geneva Association and ABIR) to high-level academic centres (incl. St John's University and London School of Economics).

Available at <http://www.palgrave.com/home/index.asp>.

The Geneva Association revisited

***Working Paper Series “Etudes et Dossiers”***

2010-2011

- **No. 357 / January 2010**  
**6<sup>th</sup> Geneva Association Health and Ageing Conference**  
 Health and Long-Term Care Insurance in Eastern and Central European Countries  
 Warsaw, 26-27 November 2009
- **No. 358 / February 2010**  
*Sessions organised by The Geneva Association and Silver Workers Institute at the*  
**XIX<sup>th</sup> IAGG World Congress of Gerontology and Geriatrics**, Paris, 5-9 July 2009  
 &  
**World Ageing & Generations Congress**, St. Gallen, 3-5 September 2009
- **No. 368 / January 2011**  
**7<sup>th</sup> Geneva Association Health and Ageing Conference**  
 U.S. and French Long-Term Care Insurance Markets Development  
 Paris, 18-19 November 2010

***The Geneva Association 2010/2011 Annual Report***

The Geneva Association has published its second Annual Report, which provides a description of nature and purpose of the Association's activities as well as the highlights of its activities, programmes, publications, networking opportunities and events in 2010/11. Key topics include *inter alia* Financial Stability in Insurance, with letters to supervisory bodies and discussions on systemic risk, the future of insurance regulation, climate risks in a year of turmoil, and ageing-related issues.

The Annual Report is available on The Geneva Association website, [http://genevaassociation.org/PDF/General\\_Information/GA2011-Annual\\_Report\\_2010-2011.pdf](http://genevaassociation.org/PDF/General_Information/GA2011-Annual_Report_2010-2011.pdf) or a hard copy can be requested from the Secretariat—address listed on the inside front page of this newsletter.

## VIII. OTHER CONVENTIONS AND RESEARCH PROGRAMMES

### **The Silver Workers Institute: Research and Advisory Centre on Productive Ageing**

The aim of the Silver Workers Institute (SWI) is to study the work environment of seniors (with a view to identifying problem areas which hamper full utilisation of this workforce) and to propose policy action—for companies and governments—in response to demographic change and to the challenge of expanding the productive capacity of our modern economies.

Based on the extensive work of the “Four Pillars” (Ageing, Pensions and Employment) Research Programme launched in 1987 by The Geneva Association, the SWI's crucial mission is to raise awareness of how the active ageing of seniors can be positive for our firms and communities not only economically but also socially. In a changing demographic context Active Ageing and Silver Work constitute key solutions to improved social cohesion and economic growth in future decades.

After two decades of early retirement, demographic prospects and budgetary constraints have forced OECD states to rethink their welfare systems and more particularly their pension arrangements. New major employment trends also encourage workers to remain later at work, and companies are progressively adapting working conditions to an older workforce and know that they will need to retain qualified Silver Workers later than today to meet future labour shortages.

Silver Workers will be in great demand not only up to raised pension ages, but in particular in services after any reference age. The reduction of worktime is one of the key measures to allow Silver Workers above 60 to contribute to the economic and social performance of our modern service economy. But the concept of Silver Work also applies to non-remunerated activities, whether in voluntary tasks or in the family and social spheres.

For further information, please visit <http://www.silverworkers.ch/>.

### **European Papers on the New Welfare**

The lengthening of the life-cycle is a key feature, even a revolutionary one, of contemporary society. The *European Papers on the New Welfare*, published by The Risk Institute, offers a platform to discuss the origin and the future of this phenomenon, and its economic, cultural and social consequences.

For further information, please visit <http://www.risk-institute.org/>.

### **7<sup>th</sup> International Longevity Risk and Capital Markets Solutions Conference**

8-9 September 2011, Goethe University, Frankfurt

Longevity risk is an increasingly important risk to recognise, quantify and manage for both pension plan and annuity providers, as well as for governments and individuals. Getting the right trend improvements in life expectancy is the key to managing this risk. However, this has proven to be difficult to realise in the past; even official agencies have systematically underestimated previous mortality improvements. Pension plan and annuity providers are beginning to question whether longevity is a risk they should be assuming on an unhedged basis. The capital markets are beginning to offer solutions for managing and unloading longevity risk.

During this two-day international event, leading international industry and academic minds will meet to discuss not only the assessment of longevity risk, but also the type of instruments needed by pension funds and insurance companies to hedge this risk. The latest developments in longevity being recognised as an asset class will also be discussed.

For further information, please visit <http://www.longevity-risk.org/>.

## IX. 8<sup>TH</sup> GENEVA ASSOCIATION HEALTH AND AGEING CONFERENCE

### Insurance and Dementia

14-15 November 2011, Toronto, Canada

*Co-organised with Sun Life Financials*

#### **14 November 2011**

##### **9.30 – 13.00 Session 1. Medical and social aspects of dementia**

- *The epidemiology of dementia*, by Dr Benoît H. Mulsant, Physician-in Chief, Centre for Addiction and Mental Health, Professor and Vice-Chair, Department of Psychiatry, University of Toronto
- *Antidementia drugs*, by Dr Sharon Cohen, Director, Toronto Memory Program
- *Modern diagnostic methods and therapeutic prospects*, by Dr John Evans, Associate Medical Director, SCOR Global Life, Paris
- *Caregivers of dementia patients*, by Prof. Richard Schulz, Director, University Center for Social and Urban Research, University of Pittsburgh

##### **14.00 – 15.30 Session 2. Economic aspects of dementia**

- *Global economic burden of dementia*, by Dr Anders Gustavsson, Associate Director, i3 Innovus, Stockholm
- *Dementia Alzheimer Index*, by Johan Hjertqvist, Founder, CEO, Health Consumer Powerhouse, Brussels

##### **16.00- 17.30 Session 3. Challenges of dementia for insurers**

- *Challenge for ageing societies: dementia*, by Dr Michaela Grimm, Senior Economist, Allianz SE, Munich
- *Screening for dementia and the impacts on mortality and morbidity in LTC insurance*, by Dr Marc Cohen, Chief Research and Development Officer, LifePlans Inc, Waltham (U.S.)

#### **15 November 2011**

##### **9.00 – 10.30 Session 4. European perspectives for financing dementia**

- *U.K. perspective on plans for funding care and support in the future*, by Andrew Chidgey, Head of Policy and Public Affairs, Alzheimer's Society, London
- *Financing and managing dementia care in Italy: towards an integrated plan of action*, by Dr Carlo Savino, Senior Economist, Italian Insurance Association, Rome

##### **11.00 - 13.00 Session 5. Insurability of dementia and insurance market**

- *Insurability and insurance products to cover dementia*, by Dr Philip Smalley, Vice-President and Medical Director, RGA International Corporation, Toronto
- *Growing old is mandatory: growing up is optional. Creating a market for dementia insurance*, by Dr Chris Ball, Consultant Medical Officer, Gen Re LifeHealth, London
- *The Future of dementia: the next generation*, by Dr Judy Beamish, Vice-President and Chief Medical Director, Sun Life Financial, Toronto

Should you be interested in participating in this conference, please contact Christophe Courbage at [christophe\\_courbage@genevaassociation.org](mailto:christophe_courbage@genevaassociation.org).

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| <b>X. CONFERENCES ORGANISED AND/OR SPONSORED BY THE GENEVA ASSOCIATION</b> |
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## 2011

**September**

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|-------|--------|--------------------------------------------------------------------------------------------------------------|
| 19-21 | Vienna | <b>38<sup>th</sup> Seminar of the European Group of Risk and Insurance Economists (EGRIE)</b>                |
| 28-29 | Warsaw | <b>9<sup>th</sup> Chief Communications Officers' Meeting</b> , hosted by PZU (CCOs of member companies only) |

**October**

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|-------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4     | Rome      | <b>Italian AXA Forum</b> , organised by AXA/MPS, ANIA and The Geneva Association                                                                                                                                                                            |
| 7     | Trieste   | <b>9<sup>th</sup> Geneva Association Associates Meeting</b> , hosted by Generali Group ( <i>Associates only</i> )                                                                                                                                           |
| 18    | Singapore | <b>3<sup>rd</sup> CR+I Seminar on "Interactions between the Private Sector and Asian Policymakers on Mitigation and Adaptation for Extreme Events and Climate Risk"</b> , jointly organised with the Institute of Catastrophe Risk Management (ICRM) of NTU |
| 27-28 | Munich    | <b>8<sup>th</sup> Annual Liability Regimes Conference</b> , hosted by Munich Re                                                                                                                                                                             |

**November**

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|-------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 14-15 | Toronto    | <b>8<sup>th</sup> Health &amp; Ageing Conference of The Geneva Association on "Insurance and Dementia"</b> , hosted by Sun Life Financial           |
| 16-17 | Rüschlikon | <b>7<sup>th</sup> CRO Assembly on "The Path to Future Growth-Focusing on New Risk Horizons"</b> , jointly organised with Swiss Re and the CRO Forum |

**December**

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|-----|--------|---------------------------------------------------------------------------------------------------------------|
| 6   | London | <b>1<sup>st</sup> Bancassurance CEO Roundtable of The Geneva Association</b> , hosted by HSBC                 |
| 7-8 | London | <b>8<sup>th</sup> International Insurance and Finance Seminar of The Geneva Association</b> , hosted by Aviva |

## 2012

**January**

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| 10 | New York | <b>Joint Industry Forum for P&amp;C Insurance Industry</b> , co-sponsored by The Geneva Association |
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**February**

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| <i>tba</i> | <i>tba</i> | <b>14<sup>th</sup> Meeting of The Geneva Association's Amsterdam Circle of Chief Economists</b> |
|------------|------------|-------------------------------------------------------------------------------------------------|

**March**

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|-------|--------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 22    | Geneva | <b>The Geneva Association/IAIS Executive Committee High-Level Meeting</b> ( <i>Board members only</i> ), hosted by The Geneva Association |
| 22-23 | Geneva | <b>28<sup>th</sup> PROGRES Seminar on Insurance Regulation and Supervision</b> , hosted by The Geneva Association                         |

**April**

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| 12-13 | The Hague | <b>10<sup>th</sup> ART of CROs</b> , hosted by Aegon ( <i>CROs of member companies only</i> ) |
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**June**

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|-------|----------------|-------------------------------------------------------------------------------------------|
| 6-9   | Washington DC  | <b>39<sup>th</sup> General Assembly of The Geneva Association</b> ( <i>members only</i> ) |
| 17-20 | Rio de Janeiro | <b>The Geneva Association/IIS Research Award Partnership</b>                              |