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Financial Wellbeing: Is it the key to reinventing life insurance?

May 2022

GAI Global Aging Institute

Financial Wellbeing: Is it the key to reinventing life insurance?

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The Geneva Association

The Geneva Association was created in 1973 and is the only global association of insurance companies; our members are insurance and reinsurance Chief Executive Officers (CEOs). Based on rigorous research conducted in collaboration with our members, academic institutions and multilateral organisations, our mission is to identify and investigate key trends that are likely to shape or impact the insurance industry in the future, highlighting what is at stake for the industry; develop recommendations for the industry and for policymakers; provide a platform to our members and other stakeholders to discuss these trends and recommendations; and reach out to global opinion leaders and influential organisations to highlight the positive contributions of insurance to better understanding risks and to building resilient and prosperous economies and societies, and thus a more sustainable world.

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Geneva Association publications:
Pamela Corn, Director Communications
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Suggested citation: The Geneva Association. 2022.
Financial Wellbeing: Is it the key to reinventing life insurance?
Authors: Adrita Bhattacharya-Craven, Richard Jackson and
Kai-Uwe Schanz. May.

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Acknowledgements

This publication is a product of the Health & Ageing work stream of The Geneva Association, co-sponsored by Thomas Buberl, CEO of AXA, and Michel Khalaf, CEO of MetLife.

We are very much indebted to the members of the Working Groups, established in support of the research activities of our Health & Ageing and Socio-economic Resilience work streams, respectively, who guided the development of this report, as well as our external partners at the Global Aging Institute (GAI). We would also like to thank Pieralberto Treccani for support with background research.

In addition, we extend our deepest gratitude to those who contributed key insights and data for this report:

Tim Beardsall (AIA), Giulio Slavich (Allianz), Alistair McQueen (Aviva), Philippe Ly Van Luong (AXA), Wei Yu and Yan Yu (China Taiping), Noriyoshi Hosokawa (Dai-ichi Life Holdings), Licia Hamer (Discovery), Jörg Fillers (ERGO), Marco Cariglia and Antonio Salera (Generali), Myles Atwood (Manulife), Enrique de la Torre Velasco (MAPFRE), Tyler Bradshaw (MetLife), Hiroki Hayashi (Nippon Life), Dominique d'Haens (NN Group), Xuebing Wang (PICC Life), Vishal Jain (Prudential Financial), Matt Singleton (Swiss Re), Manfred Bartalszky, Klaus Mühleder and Erwin Hammerbacher (Vienna Insurance Group) and Sandro Meyer (Zurich Insurance).

Foreword

Global life expectancy has risen by six years in the past two decades and is projected to rise by another eight years to 81.7 by the end of the century. In Europe and Japan it is expected to reach 88.8 and 93.5, respectively.

Longer lives are a scientific and public-health success. However, longevity needs to be not just about living longer, but thriving – physically and financially – while doing so. Health spans need to catch up to life spans to enable long, fulfilling, productive lives, without the financial strain that comes with managing chronic illness.

We need to address growing retirement insecurity. Despite innovative approaches by governments to encourage the expansion of employer and personal pensions, retirement savings remain inadequate almost everywhere, with many facing impoverishment in old age.

To make matters more complex, economic factors like low interest rates and inflation are impairing the ability of funded pensions and private insurance to deliver benefits that can meet the income needs of future retirees. It is doubtful that young adults today will be able to save enough in the current macro-economic environment to match the experience of today's retirees.

Exactly how longevity, socio-economic and technology trends will pan out is hard to predict. What is clear is that amid such significant changes in the way we live, work and play, life insurers will need to revisit and expand their proposition in order to meet the needs of consumers, while successfully navigating their own business future.

For example, the insurance industry can step up efforts to raise financial literacy to make people more aware of the pension gap and use data science to prevent adverse financial behaviours and promote good ones. Insurers could also do much more to tap into the burgeoning 'longevity economy', creating more holistic products that address changing retirement patterns and longer working lives.

No doubt life insurers have, with the emerging concept of financial wellbeing, a major opportunity to redefine their purpose and value proposition to meet one of the world's most staggering challenges.

Jad Ariss,
Managing Director

1. Executive summary

The concept of financial wellbeing recognises the link between the general wellbeing of individuals and the availability of sufficient resources throughout the life course to meet ongoing financial obligations and achieve future financial aspirations. While ensuring financial wellbeing is the core purpose of life insurance, traditional business models have come under stress as socio-economic, demographic, health and technological developments, combined with a protracted period of low interest rates, have dented the appeal of savings-oriented life insurance globally. Not only has this gradually eroded the financial wellbeing of individuals, it has also raised questions about how the life insurance business should evolve in the future.

> The declining appeal of savings-oriented life insurance has eroded people's financial wellbeing and raised questions about how the life insurance business should evolve.

This report aims to:

- Discuss the socio-economic, demographic, health and technological drivers that are reshaping risks and vulnerabilities (with a particular focus on retirement).
- Examine the current financial wellbeing strategies deployed by insurers to cope with the new market realities.
- Gauge opportunities for an expanded role for life insurance.

The main body of the report is organised into four sections. The first introduces the concept of financial wellbeing and the role of insurance in furthering it. The second describes the drivers that are redefining financial wellbeing and reshaping the market for life insurance. The third offers insight into the way major life insurers are interpreting and applying the concept of financial wellbeing. The final section identifies important areas for action by insurers that would enhance their role in addressing financial wellbeing. The findings are supported by an extensive literature review and a survey of 25 large life insurers across Asia, the Americas, Africa and Europe.

The findings underscore that *retirement insecurity* is growing. In developed countries, ageing populations and slower economic growth are undermining the sustainability of the near-universal state pension systems that were established or expanded in the early post-war decades. In response, governments are reducing retirement benefits and raising retirement ages. In developing countries, where large informal sectors mean that coverage under state pension systems is limited, much of the population still depends on the extended family for support in old age. Yet informal family support networks are weakening as countries modernise and family size declines. In both developed and developing countries, governments are using innovative approaches to encourage the expansion of employer and personal pensions, including auto-enrolment, matching contributions, and flexible contribution and withdrawal arrangements for informal-sector workers. While there has been notable success in expanding coverage in some countries, retirement savings remain inadequate almost everywhere, with many facing impoverishment in old age.

> Retirement savings remain inadequate almost everywhere, with many facing impoverishment in old age.

The report also highlights the role that trends in the health of the elderly are likely to play in driving up *healthcare expenditure* and undermining financial wellbeing. Almost 60% of people aged 65 and over in OECD countries now report living with two or more chronic health conditions. While the level of observed disability among the elderly has fallen in recent years, helping to facilitate longer working lives, age-specific rates of chronic morbidity have been flat or rising at older ages, which suggests that the underlying health of the elderly is not increasing in tandem with life expectancy. The fact that the incidence of chronic illnesses among younger adults is now rising in some developed countries is also a cause for concern and could put additional pressure on health and care budgets, undermine productivity and reduce wealth accumulation across the life cycle. Reversing these trends will require timely preventive health interventions with a focus on the most vulnerable, who tend to be people on lower incomes and with lower educational attainment.

In addition, the report explains how a *macro-economic environment* characterised by low interest rates is impairing the ability of funded pensions and private insurance to deliver benefits that can meet the income needs of future retirees. In the U.S., for example, employer-funded pension income and income from personal savings together now account for fully 30% of the total income of elderly individuals with above median income, with Social Security and earnings contributing the remainder (for elderly individuals with below median income, Social Security is the largest income source by far). Whether today's young adults will be able to save enough in the current macro-economic environment to match the experience of today's retirees is doubtful. While behavioural adaptations, such as starting to save earlier and working longer, may help to shore up their retirement income prospects, it is important to remember that there are additional forces that may further undermine those prospects, including growing labour-market informality and rising life expectancy.

The report stresses that *digital technology* has become a key channel for consumer interactions and sales across all business sectors, including insurance. Unlike Baby Boomers, who have so far been the primary target of life insurers, Millennials and Gen Z are technologically savvy. COVID-19-induced insecurities have led to a sudden surge in life insurance demand among those two groups, and insurers with digital capacity were most successful in meeting this additional demand. Retaining these customers, however, may require a sustained effort to improve their financial literacy, while at the same time customising products to better meet their generational preferences.

Based on the findings of an extensive literature review, the report interprets financial wellbeing (and related products) as an ecosystem of consumer needs, including financial literacy, savings, debt, money management and general wellbeing, in addition to core insurance offerings such as retirement and risk protection. The global survey undertaken for the report provides insights into how life insurers have interpreted and applied this concept.

Most insurers agree that financial wellbeing should be considered comprehensively, but their emphasis remains on retirement savings. There is widespread consensus that demographic shifts in particular are driving the concept and shaping their market. Surprisingly, technological drivers are seen as less important, except as an enabler of more sales, better marketing and improved access. Insurers and banks are viewed as the most active players in this space, followed by governments. Notably, independent (digital) platforms are seen as one of the least active players.

All insurers offer products to enhance financial wellbeing that go beyond traditional risk and savings solutions. Most financial wellbeing products are designed with retirement security as a primary goal, followed by financial literacy and encouraging general savings. Intriguingly, limiting risk exposures through more preventive strategies is the least cited motivation. Financial management, including tackling debt, falls outside the scope of the products offered by insurers, suggesting that insurers are largely working within the parameters of their traditional roles while taking some incremental steps to influence other financial behaviours. Product characteristics appear to mirror these findings, as does their target demographic. Few insurers focus on the young with financial wellbeing programmes, with the vast majority focusing on working-age adults and only some aiming at those aged 65 years and over.

Most financial wellbeing products offered by insurers are designed with retirement security as a primary goal, followed by financial literacy and encouraging general savings.

Most insurers deem financial wellbeing products to be successful in increasing customer numbers, retention and experience. There is an acknowledgement that more needs to be done to increase the number and improve the quality of touchpoints with customers to boost engagement and influence behaviour. As far as consumer outcomes are concerned, there is a widespread belief that life insurers are well-positioned to enhance financial wellbeing, especially by moving towards better customisation of products, reframing retirement savings goals as part of general savings goals to counter low prioritisation of insurance and tapping into the needs of the elderly with better integration of healthcare services. However, life insurers also face important challenges, including the squeeze on household disposable income, which makes it difficult for people to achieve meaningful savings, and the volatility of the political and regulatory environments, which makes it difficult to instil long-term savings habits.

Life insurers can enhance financial wellbeing, including by reframing retirement savings goals as part of general savings goals.

The report concludes with four recommendations for insurers:

Step up efforts to directly affect the determinants of savings and risk protection. Inherent in the concept of financial wellbeing is an ecosystem of consumer needs that transcends the traditional products offered by life insurers. If life insurers wish to position themselves more strategically, they will have to redefine their role to include directly affecting the determinants of retirement savings and risk protection through pathways such as education, advisory services, mentoring and financial incentives in partnership with government, financial advisors and wealth and asset managers. Doing so will require insurers to either create or buy new capabilities, or else partner to bring them in.

Promote financial literacy in young age. The lack of attention to financial education leaves the young ill-prepared to navigate the insecurities of the current labour market and successfully prepare for their eventual retirement. It also overlooks the opportunity to cement the role of life insurance at an early age. With a relatively modest investment, insurers can partner with national educational agencies, schools, communities and digital platforms to develop innovative ways of propagating financial knowledge, including by gamifying it, using social media and leveraging word of mouth and 'influencers'.

Improve risk exposure through preventive measures. Very few life insurers cited limiting risk exposure as a primary motivation for developing new financial wellbeing products. Yet there are strong connections between financial wellbeing, general wellbeing and risky behaviours. Altering these behaviours will require insurers to embed data science at the heart of their products and indeed to see it as a key to understanding needs, shifting the paradigm from repair/replace to predict/prevent. Similarly, using data science to better integrate health and wellness products could have significant benefits.

Tap into the longevity economy. Life insurers' efforts to tap into the burgeoning longevity sector are currently modest. There is also little to suggest that their products address changing retirement patterns, such as unretirement, phased retirement and new careers post-retirement, or changing family structures, including shifts in multigenerational living arrangements. New solutions such as silver sabbaticals to enable middle-aged adults to re-skill and to encourage longer working lives as well as supplementary health and care benefits that take over where government leaves off could help insurers unlock the potential of the silver economy and increase their relevance to ageing societies.

2. Introduction

2.1 The evolving notion of financial wellbeing

While there is no universally accepted definition for financial wellbeing, the basic tenet of this concept recognises the link between an individual's general wellbeing and the availability of resources throughout their life such that 'a person can *fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life*'.[1] The lack of access to adequate financial resources is directly linked to poor societal, economic and health outcomes, such as mental disorders, reduced productivity and inadequate risk prevention.[2,3,4]

Average global life expectancy has risen by six years in the past two decades alone and stands at 73.3 years. The UN Population Division projects that it will rise by another eight years by the end of the century to 81.7, and that in Europe it will reach 88.8 and in Japan 93.5.[5] Some experts project still larger gains, with a few even suggesting that babies born in Europe today can expect to live to the age of 100.[6] Irrespective of which projections one accepts, one thing is clear: Longevity is no longer the exception for a lucky few, but a clear cut and predictable experience for most.

Increased longevity, which is a testament to the successes of public health and medical science, creates enormous opportunities for people to live not just longer, but also more productive and more fulfilling lives. At the same time, however, it poses a new set of challenges for governments, businesses and individuals. How can governments ensure old-age security when the age dependency ratio[7] is projected to nearly double in most OECD countries and as much as triple in some emerging markets in the next 30 or 40 years?[8] How can the insurance industry help people accumulate sufficient savings, promote healthy lifestyles and adequately manage risk over longer life spans that are likely to alternate periods of work, leisure and continued education? And how can individuals themselves take a more proactive role in meeting their increasingly complex financial needs and achieving their financial goals?

To meet these challenges, public policies, financial institutions, social attitudes and individual behaviours will need to evolve. The parameters that defined work and retirement and young and old in the early post-war era are no longer valid today and will be even less valid tomorrow. Capturing the opportunities associated with longevity will require fundamentally rethinking all of the prerequisites—socio-economic, behavioural and technological—for living healthy and productive lives that may span a century. In short, it will require a more integrated and holistic

1 Kempson et al. 2017.
2 PwC 2021.
3 Swanton et al. 2020.
4 Gunasinghe et al. 2018.
5 UN World Population Prospects 2019.
6 Harper 2018.
7 Old-age dependency ratio is here defined as the number of people aged 65 and over per 100 people of working age (20–64 years).
8 UN World Population Prospects 2019.

approach to financial wellbeing, and this has important implications for many businesses, including life insurance.

> Capturing the opportunities associated with longevity will require a more integrated and holistic approach to financial wellbeing, with important implications for life insurance.

2.2 Life insurance and financial wellbeing: The current state of play

The main purpose of insurance, and specifically life insurance, is to promote financial wellbeing by cushioning shocks from death or disability while enabling retirement savings. However, the demographic and socio-economic environment is changing in ways that have made it more difficult for life insurance to fulfil its purpose effectively. A dynamic and less secure labour market, rapid ageing, the epidemiological shift from infectious to chronic diseases and the rise of the digital economy are among the most important disruptive forces. Views about what constitutes financial wellbeing have also evolved to become more holistic, and the concept now encompasses a broad spectrum of life events that are both financial and non-financial in nature. It is not just physical health that concerns people today, but also mental health. It is not just preparing for retirement, but also achieving better work-life balance.

Despite the changing environment, life insurance products have broadly remained the same. This inertia, coupled with a protracted period of low interest rates (more recently being exacerbated by surging rates of inflation), has dented the role of traditional life and retirement products as a key contributor to financial wellbeing. Reversing this trend may require revisiting the fundamentals of the industry's business model to match it with the more varied and dynamic needs of today's population. For instance, Millennials and Gen Z are likely to change jobs more frequently than earlier generations, having an average of 12 in their lifetime according to one estimate,[9] while the elderly are likely to stay on the job longer, challenging traditional savings and retirement models. Such changes suggest that life insurers will need to move away from one-off sales of policies with fixed premium payments to more flexible propositions which enable consumers to navigate their financial wellbeing throughout their life course.[10]

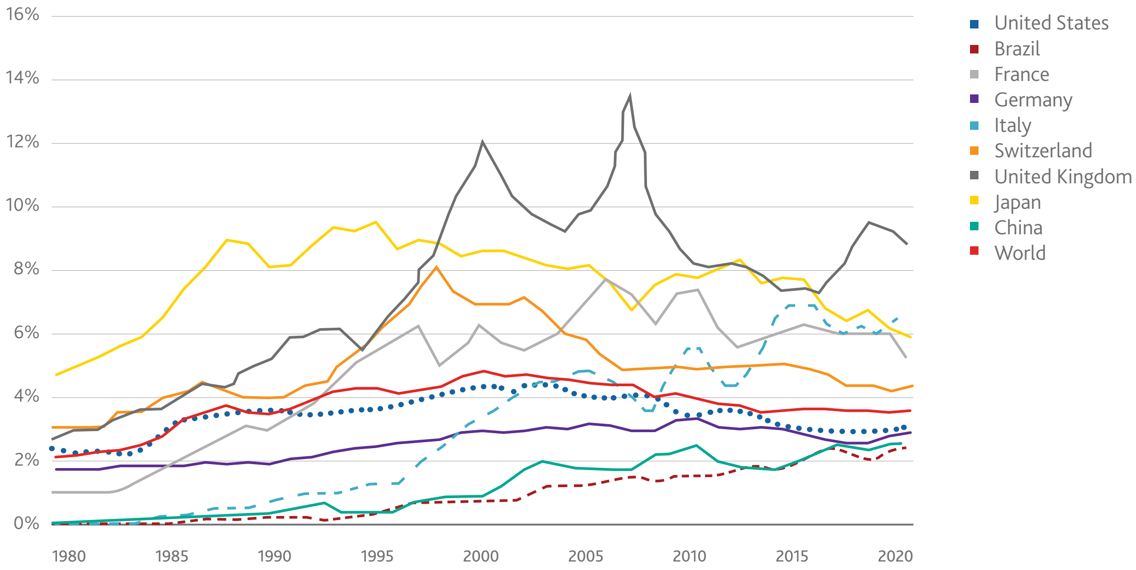
> Life insurers will need to move away from one-off sales of policies with fixed premium payments to more flexible propositions.

To be sure, the industry has taken some steps to adapt to the new realities by enhancing existing customer propositions, offering new ones, improving retention and adopting new risk mitigation/preventive measures. However, these steps, some of which will be discussed later in the report, have failed to arrest the steady decline in global life insurance penetration, i.e. life insurance premiums as a share of GDP, over the past two decades (see Figure 1). This decline has especially affected savings-oriented and longevity protection products such as endowments and annuities.

While life insurance penetration has continued to grow rapidly in developing countries such as China and Brazil, it has declined dramatically in most advanced economies. In both the United States (U.S.) and Japan, life insurance penetration has fallen back to levels last seen about 35 years ago. In the United Kingdom (U.K.), Germany and Switzerland, the set-backs amount to 20–25 years. Life insurance in France initially proved more resilient, yet after the Global Financial Crisis penetration receded to levels last seen at the beginning of the century. Italy is an outlier among the mature insurance markets, registering a massive increase in life insurance penetration over the past four decades. Experts attribute this phenomenon to insurers' much greater resilience during the financial crisis compared to the banking sector, as well as to sharp declines in historically elevated inflation rates.[11]

9 Open Access Government 2021.
10 The Geneva Association 2022. Author: Kai-Uwe Schanz.
11 The Geneva Association 2020. Author: Kai-Uwe Schanz.

Figure 1: Life insurance penetration (premiums as a share of GDP), 1980–2020



Source: Compiled from the Swiss Re sigma database

2.3 Organisation of the report

Against this backdrop, the rest of the report is organised as follows:

- Section three further explores how trends in retirement security, health, the economy and use of digital technology are reshaping risks and vulnerabilities, and consequently the market for life insurance.
- Section four investigates strategies currently used by life insurers to respond to the emerging new realities.
- Finally, section five gauges the scope for an expanded role for life insurance in promoting financial wellbeing in the 21st century and offers related recommendations.

In addition to extensive desk research, the report is informed by a complementary survey of 25 life insurers representing insurance markets in Asia, Africa, the Americas and Europe. This survey allows the report to provide practical insights into evolving perceptions of financial wellbeing by some of the largest global life insurance companies, as well as the steps they are taking, or could take, to enhance financial wellbeing in a challenging and rapidly changing environment.

3. The drivers reshaping the future of financial wellbeing

This section discusses four key drivers that are reshaping the risks and vulnerabilities associated with financial wellbeing and fuelling the need to rethink longstanding public policies and business models. It also lays the foundation for the life-insurance-specific analysis in section four below. The first driver is the **changing environment for retirement**, which has important implications for long-term savings needs and goals; the second is **trends in the health of the elderly**, which will be a critical determinant of future health costs and care needs; the third is the **evolving economic landscape**, and especially trends in interest rates and patterns of work, which could have a large impact on financial security across the life cycle; and the fourth is advances in digital technology, which are reshaping people's expectations about how they access and manage their wealth and how they promote their general wellbeing.

3.1 The changing environment for retirement

Retirement institutions are under mounting stress around the world. In many developed countries, the pressure of ageing populations on national budgets has compelled governments to enact large reductions in the future generosity of state pension systems, which are the main source of income for most retirees. In many emerging markets, the traditional model of family-centred old-age support is weakening as countries develop and modernise, yet formal government and market substitutes are not yet fully developed. Almost everywhere retirement insecurity is growing, and along with it the need to broaden and deepen long-term savings and insurance coverage.

3.1.1 The state of retirement security

What future generations may look back on as the golden age of retirement may now be coming to an end in the developed world. Beginning in the early post-war decades, the establishment and expansion of state pension systems transformed retirement from the aspiration of a privileged few into a near-universal life cycle phase. Along with rapid growth in private pension coverage in some countries, these systems also helped to bring about a dramatic transformation in the economic status of the elderly. As recently as the 1960s, the poverty rate of the U.S. elderly was three times higher than that of younger adults. Today it is lower. In most high-income OECD countries, the income of the elderly now approaches or equals that of younger adults.[12, 13]

12 Shrider et al. 2020.
13 OECD 2021a.

The golden age of retirement may now be coming to an end in the developed world.

The prospects for future retirees are not as bright. In recent decades, falling birth rates, rising life expectancy and slower economic growth have undermined the long-term sustainability of the developed world's state pension systems, most of which are financed on a pay-as-you-go basis, and governments have responded by reducing their generosity. Many countries are raising retirement ages, often in stages, and some have redesigned their state pension systems in ways that automatically cut benefits when costs rise. Sweden and Italy, for instance, have transformed their traditional defined-benefit state pension systems into notional defined-contribution systems in which benefits are reduced to offset increases in life expectancy or slower growth in the payroll tax base. Japan and Germany have introduced 'stabilisers' that reduce benefits to offset declines in the ratio of contributing workers to retired beneficiaries. In some countries, the reduction in the generosity of state retirement provision has been enormous. South Korea, which established its National Pension System in the late 1980s, just before its birth rate collapsed, has already cut promised replacement rates twice, from the original 70% to 40%. With the system still facing large long-term deficits, it may have to cut them again.[14, 15, 16, 17]

The main problem in the developing world is that in economies with large informal sectors the reach of state pension systems is often limited.

The outlook in the developing world is even more concerning. Here the main problem is not so much that the generosity of state retirement provision is being reduced, though in some countries it is, but that in economies with large informal sectors the reach of state pension systems is often limited. In Latin America, an average of just 45% of the workforce contributes to state pension systems in a given year. In many countries in emerging Asia, the effective coverage rate is even lower – just 9% in India, for instance, and just 12% in Indonesia.[18, 19] Like the developed world, moreover, much of the developing world is now ageing rapidly, and this could make expanding pension coverage even more challenging. From 2020 to 2050, the age dependency ratio is set to double in India and Mexico, nearly triple in Brazil, China, and Vietnam and more than triple in Iran.[20]

Until now, workers in emerging markets who reached old age without a pension or personal savings have usually been able to fall back on the extended family. The traditional model of family-centred old-age support, however, is under increasing stress from the forces of modernisation, and will soon come under intense demographic pressure from declining family size. Urbanisation and the spread of more 'individualistic' Western values are breaking up extended families and eroding traditional social and cultural norms, among them the expectation that grown children will care for their aged parents. In a 2015 survey conducted by the Global Aging Institute (GAI), workers and retirees in ten Asian countries were asked, 'Who, ideally, should be mostly responsible for providing income to retirees: government, former employers, retirees themselves through their own savings or grown children or other family members? In none of the ten did the share of respondents saying 'grown children or other family members' exceed 15%.[21]

The result is growing retirement insecurity. According to Boston College's National Retirement Risk Index, nearly half of U.S. households are at risk of having insufficient resources to maintain their preretirement living standard when they stop working.[22, 23] In many emerging markets, the situation is even more dire. In Malaysia, for instance, nearly three quarters of retirees have failed to accumulate sufficient savings in the country's Employees Provident Fund to maintain even a poverty-level living standard throughout their retirement, while nearly one quarter do not have sufficient savings to maintain a poverty-level living standard for even five years.[24, 25, 26]

The vulnerability of retirees of course varies tremendously not just between countries, but within them. Not surprisingly, lifetime low earners also tend to have

14 Jackson et al. 2013.
15 European Commission 2021.
16 OECD 2018.
17 Jackson et al. 2007.
18 OECD 2014.
19 Jackson et al. 2021.
20 UN World Population Prospects 2019.
21 Jackson et al. 2015.
22 Munnell et al. 2021.
23 Smith et al. 2021.
24 Jackson et al. 2021.
25 World Bank 2016.
26 OECD 2014.

low incomes in retirement, though in most developed countries and some emerging markets progressive benefit formulas, means-tested supplements or non-contributory 'social pensions' help to lift them out of poverty. In most countries, the 'old elderly' in their eighties and beyond have lower incomes and higher poverty rates than the 'young elderly'. Everywhere, moreover, women tend to be more vulnerable than men because they typically earn less, are more likely to cycle in and out of the labour market and live longer, which puts them at greater risk of exhausting whatever savings they have.[27]

> Everywhere, women are at greater risk than men of exhausting their savings because they typically earn less, are more likely to cycle in and out of the labour market and live longer.

3.1.2 Key Trends: Private pensions and personal retirement savings

There are two ways to boost retirement incomes without putting an additional burden on government budgets or families, the first of which is for workers to save more for retirement over the course of their working lives. Some developed countries have always leaned heavily on employer pensions or personal retirement savings to supplement or even substitute for state retirement provision. What has changed is that countries throughout the developed world are making concerted efforts to broaden and deepen retirement savings systems, including some that have relied almost exclusively on pay-as-you-go state pension provision in the past. Italy and South Korea are in the process of replacing their traditional unfunded severance pay schemes with genuinely funded pensions. The U.K. has launched a new retirement savings scheme called NEST Pensions, while New Zealand has launched a scheme called KiwiSaver.

Many emerging markets are also trying to expand retirement savings. In an especially promising development, their efforts are often focused on informal-sector workers, who currently must rely on their grown children for support in old age or, if they are fortunate, a non-contributory social pension. Until recently, the obstacles to extending participation in retirement savings programmes beyond the formal sector were almost insuperable. However, advances in digital IT, financial inclusion and national identification systems are now opening up new ways to reach informal-sector workers. Some countries are employing financial incentives, such as matching contributions, to encourage them to participate on a voluntary basis in formal-sector retirement savings systems. Others, including China, India, Malaysia and Thailand, have launched separate contributory retirement savings systems with more flexible contribution and withdrawal rules that are tailored to the needs of informal-sector workers.[28,29, 30, 31]

> Advances in digital IT, financial inclusion and national identification systems are opening up new ways to extend participation in retirement savings programmes to informal-sector workers.

Some of these recent initiatives have been highly successful. Pension coverage has risen substantially in New Zealand and the U.K. over the past decade, in large part because both countries, leveraging the lessons of behavioural economics, have adopted an auto-enrolment model in which workers, instead of having to proactively *opt into* the pension system, have to proactively *opt out*. Participation in India's new informal-sector retirement savings programme, the Atal Johana, has also grown rapidly, as has participation in China's two new informal-sector retirement savings programmes, one of which is for rural workers and one for migrant workers. In fact, several hundred million workers have joined China's programmes, an accomplishment that the World Bank calls 'unprecedented in global experience'.[32] Here the success may be due in part to a novel arrangement known as 'family binding', where as long as workers are enrolled and saving for their own future retirement, their aged parents immediately qualify for a modest pension benefit paid for by the government.

Yet despite these successes, large gaps in coverage remain in both the developed and developing worlds.[33, 34] Even when workers are covered by a pension plan, moreover, savings levels are often inadequate. As of 2020, the median 401(k) balance in the U.S. was roughly USD 26,000, less than half

27 OECD 2017a.
28 Hu et al. 2009.
29 Hinz et al. 2013.
30 Jackson 2017.
31 Khanna et al. 2018.
32 World Bank 2016.
33 OECD 2021a.
34 Jackson 2017.

of the median household income; even for participants aged 55–64, and thus nearing retirement, the median balance was only about USD 69,000.[35] The challenge of ensuring adequate retirement savings is being complicated by the fact that traditional defined-benefit plans have almost everywhere been replaced by defined-contribution plans. While the latter have important advantages, including rewarding work effort and encouraging later retirement, they may be subject to savings leakage and shift investment risk to workers, who are often not adequately prepared to assume it.

> Ensuring adequate retirement savings is being complicated by the replacement of traditional defined-benefit plans with defined-contribution plans.

3.1.3 Key Trends: Longer working lives and later retirement

The other way to boost retirement incomes is to work longer. All other things being equal, if workers contribute for five more years to a defined-contribution retirement plan, and collect benefits for five fewer years, the plan's income replacement rate would be roughly one third greater. In addition to the financial benefits of longer working lives, there may also be health benefits. A growing literature suggests that continued productive engagement can have a large positive effect on the physical health, cognitive function and emotional wellbeing of older adults.[36, 37, 38]

At least in the developed world, there has been a dramatic shift toward longer working lives and later retirement in recent years. After falling steeply during the early post-war decades, the labour-force participation rates of older workers bottomed out during the 1990s in most developed countries and since then have begun to rise again. In the U.S., the share of men aged 65 and over who are in the workforce plummeted from 46% in 1950 to 16% in 1990. But by 2019, on the eve of the pandemic, it had climbed back to 25%. Employment at older ages has also increased in many European countries, especially among adults in their late fifties and early sixties. From 2000 to 2019, for instance, the share of men aged 60–64 who are in the labour force doubled in Germany and tripled in France and the Netherlands.[39, 40] In the developing world, although informal-sector workers often continue to work as long as they are able, retirement ages in the formal sector remain very low, typically in the mid-fifties.

The turnaround was in part a response to changes in government policies, including hikes in state pension retirement ages and, in some countries, the elimination of special subsidised early retirement programmes. But the broader social and economic environment has also changed in ways that facilitate longer working lives. The gap in educational attainment between older and younger adults has narrowed steadily in recent decades, making it easier for older workers to fill the jobs being created in the growth sectors of the economy. At the same time, the ongoing shift from manufacturing to services has rendered youthful stamina increasingly irrelevant in most types of employment. All of this may have helped to prompt a generational re-evaluation of the attractions of retirement, or at least early and all-or-nothing retirement, versus continued productive engagement. According to the Employee Benefit Research Institute's annual Retirement Confidence Survey, the share of U.S. workers who expect to retire before age 60 declined from 21% in 1996 to 11% in 2020. At the same time, the share who expect to retire after age 65 or never increased from 14% to 47%.[41]

> The education gap between older and younger adults has narrowed, making it easier for older workers to fill the jobs being created in the growth sectors of the economy.

It is true that the pandemic may have set back the trend toward longer working lives. In some countries, notably the U.S., labour-force participation of the elderly fell more sharply in 2020 than that of younger adults, as might be expected in the midst of a pandemic to which the elderly are especially vulnerable. Although elderly labour-force participation has not yet fully recovered, most long-term projections, including those by the U.S. Bureau of Labour Statistics and the European Commission, assume that the trend toward longer working lives will resume.[42, 43]

35 Knueven 2021.
36 Butler 2008.
37 Wu et al. 2016.
38 Staudinger et al. 2016.
39 Fullerton 1999.
40 OECD (no date).
41 Employee Benefit Research Institute 1996, 2020.
42 Dubina et al. 2021.
43 European Commission 2021.

3.1.4 *Implications for long-term savings*

All of this points to a straightforward conclusion, which is that long-term savings will be an increasingly important part of the retirement equation in decades to come. In the developed world, future retirees will not be able to count on state retirement provision to the same extent that today's retirees do, while in the developing world they will not be able to count on the family to the same extent. Along with the erosion in these traditional pillars of retirement income support, longer working lives and rising life expectancy will also tend to buoy up savings.

> Long-term savings will be an increasingly important part of the retirement equation in decades to come.

In addition to increasing the importance of long-term savings, the evolving retirement landscape may also change how people approach the 'de-cumulation phase' of the savings life cycle in which they draw down their nest eggs. One trend may be increased demand for converting retirement savings balances into income streams. In the developed world, the weak historical demand for annuitising retirement savings is explained in part by the fact that both state pensions and employer defined-benefit pensions are already fully annuitised. With the first becoming less generous and the second disappearing, demand for annuitising retirement savings may strengthen. In the developing world, where both government and employer retirement benefits often take the form of lump-sum payouts, demand could be even stronger.

Another trend may be increased demand for flexible long-term savings products that allow workers to access retirement savings for purposes other than retirement. People are not only working longer and retiring later, but retirement itself is also becoming a more malleable concept, especially for better educated workers: flexible retirement, phased retirement and unretirement are all gaining in popularity. As these workers move beyond the traditional three-box life cycle of education, work and retirement, they may wish to redirect some 'retirement savings' to other perhaps more productive purposes, such as taking a midlife sabbatical, earning another degree or launching a late-in-life business.

At the same time, demographic ageing will reshape the investment environment. Together with high savings rates, slower growth in the working-age population, and hence slower economic growth and slack investment demand, may mean continued low interest rates. The rising median age of the population may also mean that societies will become more risk averse. This risk aversion may manifest itself in electoral behaviour, with voters more prone to protect current consumption claims on government budgets at the expense of investments in the future.[44] It could also manifest itself in investment behaviour, which could become more conservative. The natural life cycle tendency to become more risk averse as age increases and time horizons shrink could be reinforced by generational trends. Millennials, whose coming of age has been bookended by the Great Recession and the COVID-19 pandemic, are shaping up to be far more risk averse than older generations were at the same age, a development reflected in their later marriage and postponed family formation.

Yet there could be a silver lining in this development. While growing risk aversion may seem to be a negative trend, it has a positive corollary – namely, greater financial responsibility. Millennials are acutely worried about their financial future and have started to save for retirement at a younger age than older generations did.[45, 46] Moreover, the erosion in the traditional pillars of retirement support caught older generations by surprise. Millennials, however, know exactly where they stand – and this bodes well for the future.

> The erosion in the traditional pillars of retirement support caught older generations by surprise. Millennials, however, know exactly where they stand.

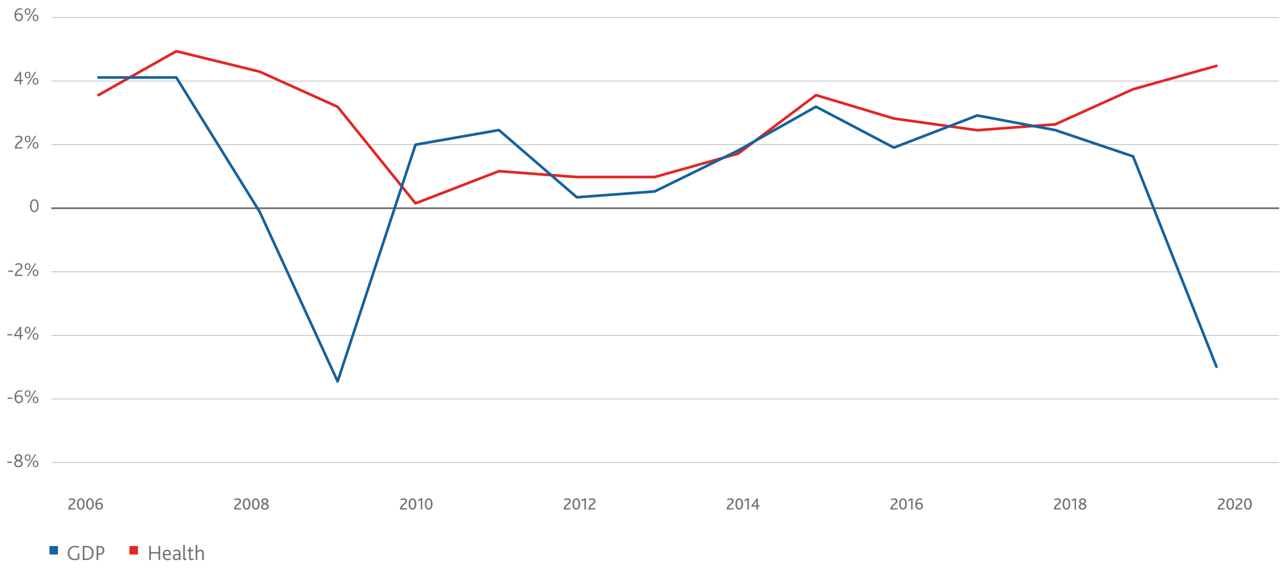
3.2 Demography, health and healthcare costs

3.2.1 *Understanding the cost drivers*

One of the most enduring trends in modern societies is the tendency of healthcare spending to grow as a share of the economy over time. On average OECD countries spent 8.8% of their GDP on health in 2019, up from 4.6% in 1970. Although the rate of spending growth has moderated in many developed countries over the past 15 to 20 years, total spending has continued to outpace economic growth through much of the period, especially during the financial crisis and the pandemic (see Figure 2).[47, 48]

44 Jackson et al. 2008.
45 Morning Consult 2022.
46 Howe 2020.
47 OECD 2019a.
48 OECD 2021b.

Figure 2: Annual real growth in per capita health expenditure and GDP (average of 22 OECD countries), 2006–2020



Source: OECD Health Statistics 2021

Upward pressure on spending derives from three powerful forces. The first is **advances in medical technology, treatment and testing,** which tend to increase both the volume and relative price of health services.[49] Associated with these advances are the potential inefficiencies arising from over-provision of tests and treatments, which can become an additional source of cost pressure. The second driver is **rising public expectations about the quantity and quality of care that health systems should deliver.** The third is **population ageing**, which is already playing an important role in driving healthcare spending and may play an even larger role in the future.[50] This section focuses on the third force to help illustrate the link between demographic shifts, health and healthcare costs.

Population ageing is already playing an important role in driving healthcare spending, and may play an even larger role in the future.

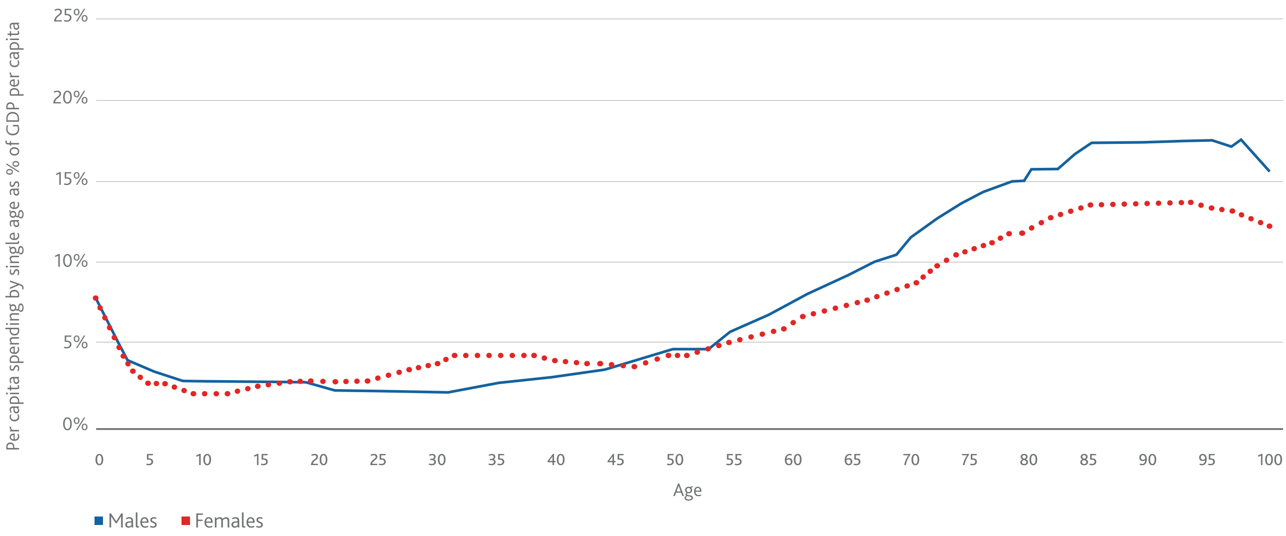
As countries move through the 'epidemiological transition', chronic diseases replace infectious diseases as the primary cause of morbidity and mortality, even though pandemics such as COVID-19 may temporarily reverse the trend. Since the elderly are much more likely to suffer from chronic diseases than the nonelderly, healthcare consumption rises steeply with age. In the U.S., the elderly consume nearly three times as much in acute-care services as the nonelderly and nearly 20 times as much in long-term care services.[51] In the EU, per capita health expenditure rises sharply from age 55 for men and 60 for women (see Figure 3).[52] This should hardly be surprising. Overall, nearly 60% of people aged 65 and over in OECD countries report living with two or more chronic health conditions,[53] with women generally having more on average than men.[54]

The elderly, moreover, are the fastest growing segment of the population, the older the elderly are, the more healthcare they consume, and the oldest elderly age groups are the fastest growing of all. The number of people aged 65 years and over in OECD countries increased from 9% of the population in 1960 to 17% in 2019 and is projected to rise to 28% by 2050.[55] Much of the projected increase will be due to an increase in the number of old elderly. While the number of adults aged 65–79 in the U.S. is expected to grow by 24% by 2050, the number aged 80 and over is expected to grow by 149%.

49 Marino et al. 2019.
50 Jackson 2022.
51 Centers for Medicare and Medicaid Services 2022.
52 European Commission 2021.
53 OECD 2019a.
54 OECD 2020.
55 OECD 2017b.

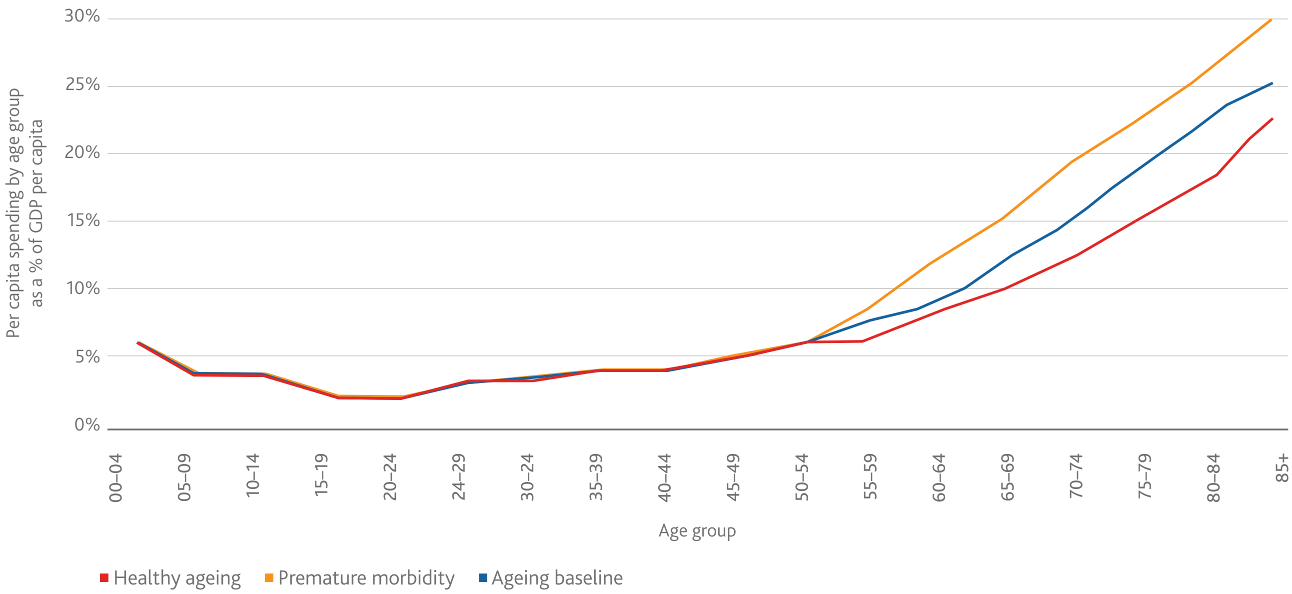
The accumulation of comorbidities at older ages explains why the elderly consume a hugely disproportionate share of healthcare resources. In Norway, for instance, adults aged 65 and over accounted for nearly half of healthcare spending in 2010, even though they constituted only 15% of the population.[56] The relationship between comorbidities and costs also suggests that if the accumulation of comorbidities were slowed, improvements in the health of the elderly could, at least potentially, slow the growth in future healthcare spending, as well as expand the scope for active ageing and improve the overall wellbeing of the elderly. Analysis by the Japanese government shows that policies which promote 'healthy ageing' could generate significant savings relative to a baseline ageing scenario (see Figure 4).[57] Analysis by the European Commission comes to similar conclusions.[58]

Figure 3: Per capita health spending in the EU27 by age and gender as a % of GDP per capita



Source: European Commission 2021[59]

Figure 4: Per capita health spending by age group in Japan, as a % of GDP per capita, baseline & two alternative scenarios



Source: WHO 2020[60]

56 Kalseth et al.2020.
57 WHO 2020.
58 European Commission 2021.
59 Ibid.
60 WHO 2020.

3.2.2 Life spans and health spans

One of the most consequential questions facing ageing societies is thus whether health spans will rise along with life spans. Experts have long debated the matter without reaching a clear conclusion. Some experts who subscribe to the 'compression of morbidity' thesis believe that most of the ills of old age will eventually be relegated to a relatively brief period at the very end of life. Others who subscribe to the 'failure of success' thesis argue that the principal achievement of modern medicine has been to extend people's lives without restoring them to full health, and that as life spans rise, so too will rates of chronic morbidity and disability.[61, 62, 63, 64] The evidence to date suggests that both viewpoints may be at least partially correct. On the one hand, rates of elderly disability, as measured by limitations on activities of daily living such as bathing or dressing, have fallen in many developed countries in recent decades. On the other hand, the share of the elderly with serious chronic conditions, from diabetes to hypertension and heart disease, has been flat or rising.[65, 66]

> One of the most important questions facing ageing societies is whether health spans will rise along with life spans.

From a broad policy perspective, the implications of trends in the health of the elderly are decidedly mixed. On the positive side, declining rates of disability and improvements in functional health in old age may help to facilitate active ageing and longer working lives, while also helping to reduce demand for long-term care services. On the negative side, the rising prevalence of chronic illnesses may lead to a worsening of the underlying health of the elderly, while also putting additional upward pressure on acute-care spending as the population ages.

Unfortunately, the positive implications seem less certain than the negative ones. In some countries, most notably the U.S., the incidence of chronic morbidity, and especially morbidity related to obesity and substance abuse, has risen dramatically among young and midlife adults in recent decades.[67, 68] If this trend continues, younger generations will take their worsening health problems with them into old age, perhaps reversing recent improvements in the functional health of the elderly. Yet efforts to arrest this trend have had only limited success. Globally, while there is some evidence to suggest that premature death from chronic diseases among adults aged 30–70 has fallen in recent years, the pace of improvement has remained sluggish.[69]

The implementation of wide-ranging preventive health strategies will likely be needed to mitigate the risk of accumulating comorbidities among young and midlife adults as they age. To be effective, these strategies will need to focus on people with lower incomes and less educational attainment and may need to be accompanied by broader social and economic reforms that alleviate poverty, inequality and discrimination. Figure 5, which is based on U.K. research, makes clear that health status is closely correlated with socio-economic status, with the lower-income population much more likely to have comorbidities than the higher-income population.[70, 71] Research in the U.S. and other developed countries also shows that health spans and life spans differ enormously by income and educational attainment.[72, 73, 74]

> Health status is closely correlated with socio-economic status, with the lower-income population much more likely to have comorbidities than the higher-income population.

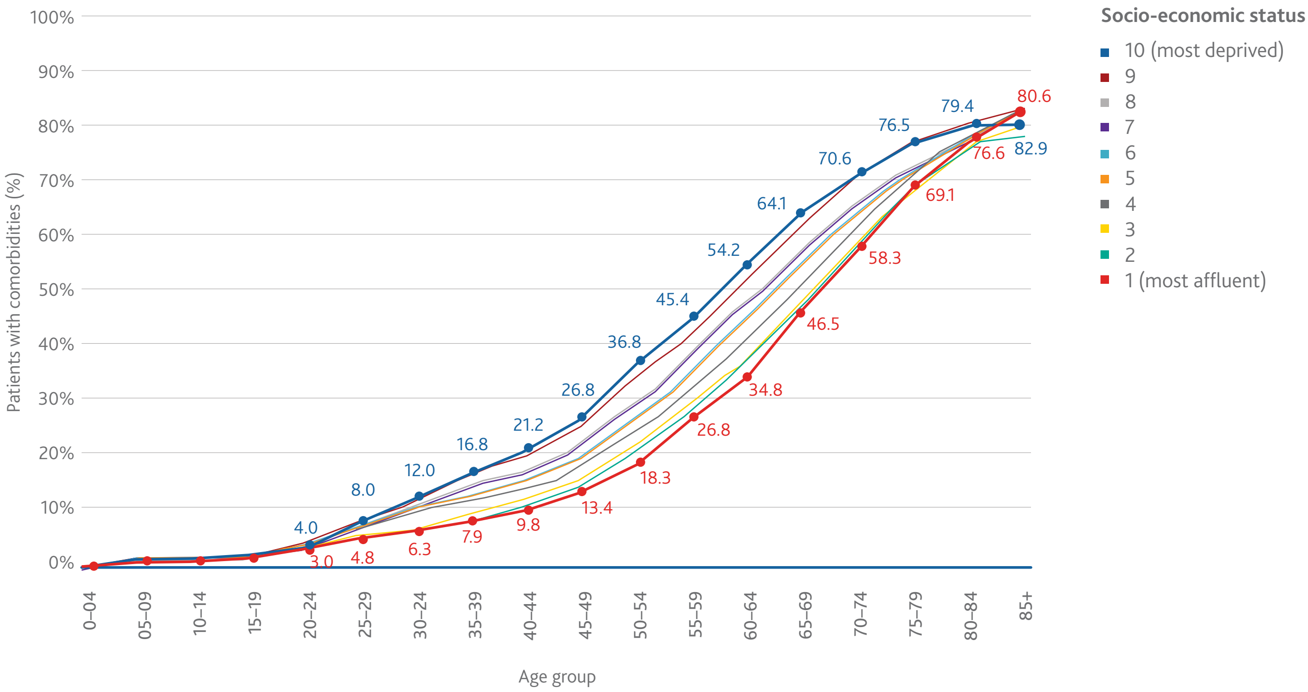
As for long-term care, the demand for services not only depends on the health of the elderly, but also on a host of broader socio-economic factors, and especially the strength of extended families. Today's elderly typically have several surviving children. But tomorrow's elderly will be much more likely to have only one child or no children, to have never married or to be widowed or divorced. This will increase the pressure on governments and individuals to assume greater responsibility for caregiving.

61 Fries 1980.
62 Fries 2005.
63 Gruenberg 1977.
64 Verbrugge 1984.
65 Chatterji et al. 2015.
66 Crimmins 2015.
67 Woolf et al. 2019.
68 OECD 2021b.
69 Countdown NCD collaborators 2020.
70 Barnett 2012.
71 Weida et al 2020.
72 National Academy of Sciences 2015.
73 Case et al. 2021.
74 OECD 2019b.

3.2.3 The compounding effects of financial insecurity on health and ageing

All of this has important implications not just for health in old age and healthcare costs, but also for financial security more broadly. To the extent that gains in life spans are not matched by gains in health spans, there will be knock-on effects on financial wellbeing across the life cycle. On the one hand, people may not be able to accumulate wealth because of being in poor health for much of their working lives. On the other hand, financial insecurity may in and of itself lead to unhealthy behaviours and ill health.

Figure 5: % of patients with comorbidities by socio-economic status, U.K.



Source: Barnett et al 2012.[75]

A landmark Whitehall study by Marmot and colleagues establishes a clear inverse relationship between socio-economic status and health risks, with low-paid workers reporting less control over their employment choices, leading to health-related risky behaviour and a noticeably higher prevalence of chronic illnesses.[76] Other studies have shown that 30–50% of cancers are preventable through lifestyle changes that are significantly influenced by whether people have access to adequate resources, both financial and non-financial, to make healthier life choices.[77] Not surprisingly, there is also much evidence that people living with chronic disease retire early, thereby curtailing their ability to accumulate wealth.[78, 79]

Beyond chronic diseases or physical disabilities, the way in which financial insecurity interacts with emotional wellbeing is also noteworthy, and is a topic that has caught the attention of many, including the insurance industry, in the wake of the COVID-19 pandemic.[80] A survey of 6,000 people conducted during the pandemic in the U.K., when job insecurity markedly increased, found that for a third of respondents, mental health directly affected their financial decisions, such as keeping on top of their income and outlays or making sound choices, with nearly half not being able to save money regularly.[81] Other studies have established the clear role that debt or financial insecurity plays in increasing levels of anxiety and consequently mental health problems or behavioural disorders such as problematic gambling.

75 Barnett et al. 2012.
76 Marmot et al 1991.
77 Marmot 2018.
78 de Wind et al. 2018.
79 Isham et al. 2020.
80 CRO Forum 2021.
81 Money and Mental Health 2021.

Breaking this perpetual cycle of vulnerability between poor physical and mental health and lesser wealth accumulation over longer lives is where efforts to improve financial wellbeing become important. Indeed, they may be the surest way to protect individuals from adverse life outcomes. With rising chronicity of illnesses, including mental disorders and degenerative diseases such as dementia, whose sufferers worldwide are set to triple to roughly 150 million by 2050,[82] financial wellbeing interventions require a holistic set of metrics encompassing health, environment and behaviour, as well as 'money matters'.[83] This may therefore signal the need for insurers to actively steer service delivery in ways that directly influence outcomes and to manage their risk exposure through more preventive interventions. Without such interventions, individuals and life insurers will face a growing risk of excessive financial shocks stemming from untimely mortality or ill-prepared longevity.

Insurers should actively steer service delivery in ways that directly influence financial wellbeing outcomes and manage their risk exposure through more preventive interventions.

82 Nichols et al. 2019
83 Aviva 2021.

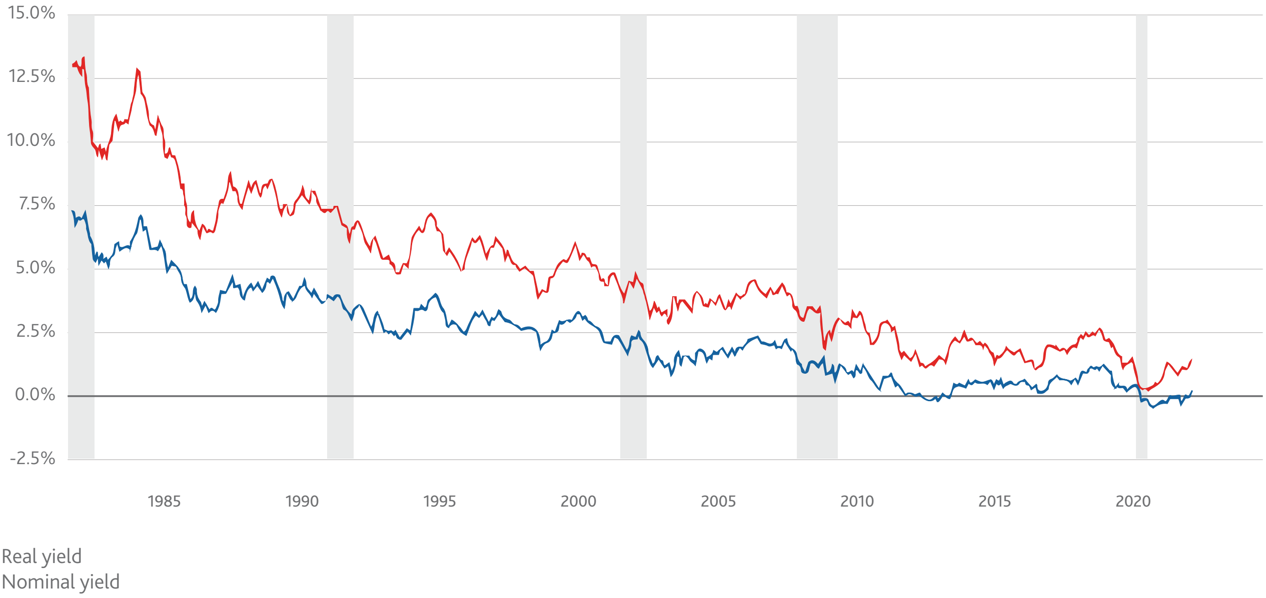
3.3 Economic drivers

3.3.1 Protracted low interest rate environment

Both nominal and real interest rates have declined significantly over the past 40 years (see Figure 6, which uses the example of 10-year U.S. Treasury rates), a trend that has been further intensified by the monetary policy responses to the Global Financial Crisis and COVID-19. Persistent low interest rates can profoundly affect retirement security by eroding investment returns and thus limiting the capacity of governments and the private sector to fund pension plans and other retirement savings mechanisms. As past retirement plan and saving decisions were generally based on expected asset returns higher than currently available, savers may not have accumulated enough funds to support planned retirement spending.[84]

Persistent low interest rates can profoundly affect retirement security by eroding investment returns and thus limiting public- and private-sector capacity to fund pension plans and other retirement savings mechanisms.

Figure 6: 10-year nominal and real U.S. Treasury yields, 1982–2021



Note: Shaded areas indicate U.S. recessions.

Source: Federal Reserve economic data

84 SOA 2021.

The main sources of retirement income vary greatly across countries and, within countries, between income groups. In the U.S., for example, Social Security accounts for over 80% of the total income of elderly individuals with below-median income, while income from pensions and assets accounts for less than 10%. For elderly individuals with above-median income, however, employer-funded pension income and income from personal savings grows in importance, accounting for about 20% and 10%, respectively, of total income.[85]

Interest rates do not directly affect payments under *social insurance schemes*, unless those schemes are at least partially funded – like the U.S. and Canadian systems, for example – and thus depend on investment income in addition to taxes to maintain existing benefits.[86] Payments from *annuities* are generally a secure and regular source of retirement income backed by underlying financial assets. When interest rates decline, however, the same amount of assets will purchase lower annuity payouts. Recent research suggests that the cost of buying the same amount of annuity income has doubled in the past 30 years, both as a result of lower interest rates and improved longevity.[87] *Defined-contribution pension payouts*, such as withdrawals from 401(k) plans in the U.S., depend on the assets participants have accumulated in their retirement accounts, and so can also be adversely affected by low interest rates.

Many academic studies have examined the impact of low interest rates on retirement income with differing conclusions. One study estimates little impact on income replacement rates upon retirement based on relatively 'bold' assumptions, such as an increase in individual savings rates and more borrowing through reverse mortgages in a low interest rate environment.[88] Other studies, which more realistically assume that households maintain their current saving patterns and that (low-cost) reverse mortgages are not available, conclude that persistent low interest rates would significantly affect retirement security.[89] One U.S. study which looks at retirement wealth accumulation estimates that in a low interest rate scenario people close to retirement (the 55–64 age group) would on average accumulate 22% less wealth in their 401(k) accounts than in the baseline interest rate scenario, unless they change their saving behaviour.[90] Studies from 2013 by Munnell et al. and VanDerhai also found that interest rate impacts differ significantly across income and age groups. Although low-income households generally have less retirement security than high-income households, they are less exposed to low interest rates as their retirement income mainly derives from social insurance protection. Younger generations are at greater risk of deteriorating retirement security in a low interest rate environment than older generations because they face lower expected returns on their retirement savings over a greater period of time.

> Low-income households are less exposed to low interest rates, as their retirement income mainly derives from social insurance protection.

Most studies also highlight the crucial role that behavioural responses (or the lack thereof), such as higher savings rates or delayed retirement, can play (or not) in countering the adverse effects of a low return environment. In practice, behavioural adaptations large enough to offset those effects are likely to be challenging. One study found that most wage earners would have to save between 10% and 15% of their income, start saving early and save consistently throughout their work lives.[91] One can also adopt a life cycle perspective on the challenge of low interest rates. Some models show how households, in a co-ordinated way, might change their saving, retirement, work and investment behaviours in response to low rates in order to maximise their lifetime income and wealth.[87] Given widespread myopia, however, it is unclear whether most individuals in the real world would respond in this fashion.

85 Poterba 2014.
86 SOA 2021.
87 Ibid.
88 Munnell et al. 2013.
89 VanDerhei 2013.
90 Horneff et al. 2018.
91 Blanchett et al. 2018.

To make the situation even more challenging, inflation rates have recently been surging while interest rates remain at very low levels. As a result, pension savers face (increasing) negative yields on their investments and an erosion in future levels of inflation-adjusted pension benefits.[92]

3.3.2 Changing patterns of work

In addition to macro-economic factors, the microeconomics of labour supply and demand are reshaping financial wellbeing. Structural economic shifts have contributed to work patterns which are characterised by less formality and predictability. Over the past decade, the number of gig economy platform workers has grown from virtually zero to 3% and 1.5% of U.S. and EU employment, respectively.[93]

Relatively low and irregular income makes it challenging for young gig workers to save for retirement or, indeed, any unexpected expenses. In many countries, pension systems continue to be based on formal, regular employment structures and do not adequately capture the increasingly large numbers of gig workers who fall outside these arrangements. As there is usually no employment relationship between the gig worker and the digital platform, the workers must bear any contributions to statutory retirement schemes on their own. In addition, the self-employed in many countries have no access to voluntary occupational pension schemes, making them even more susceptible to financial insecurity.

The self-employed in many countries have no access to voluntary occupational pension schemes, making them even more susceptible to financial insecurity.

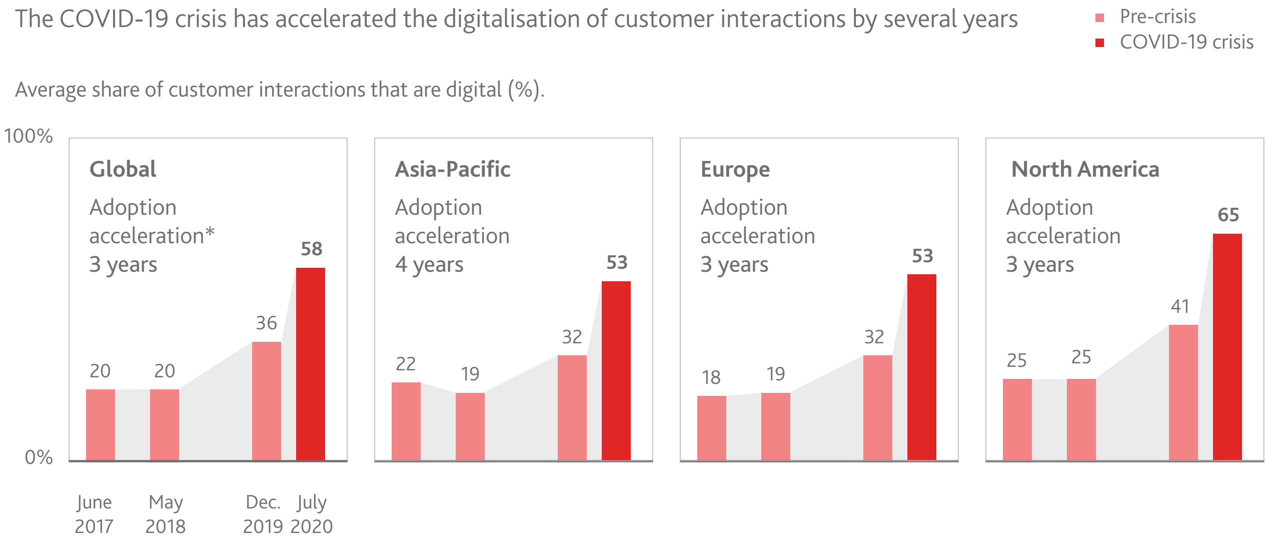
3.4 Technological drivers

The pandemic has catalysed a digital transformation across multiple sectors at a pace not seen before. A recent survey conducted by McKinsey of senior executives showed that companies across the board have rapidly moved towards digital interfaces to interact with consumers and are now years ahead of where they were in the pre-pandemic era (see Figure 7).[94] Rather than being a one-off surge in the early stages of the pandemic, the trend has continued, with one recent survey showing that consumers continued to embrace digital channels in the six months prior to April 2021 at the same pace as at the start of the pandemic. In particular, the survey observed a marked increase in online interaction for the insurance industry, which went up by 46% in select European countries and the U.S. (see Figure 8).[95, 96]

Figure 7: Rate of digital acceleration by region

The COVID-19 crisis has accelerated the digitalisation of customer interactions by several years

Average share of customer interactions that are digital (%).

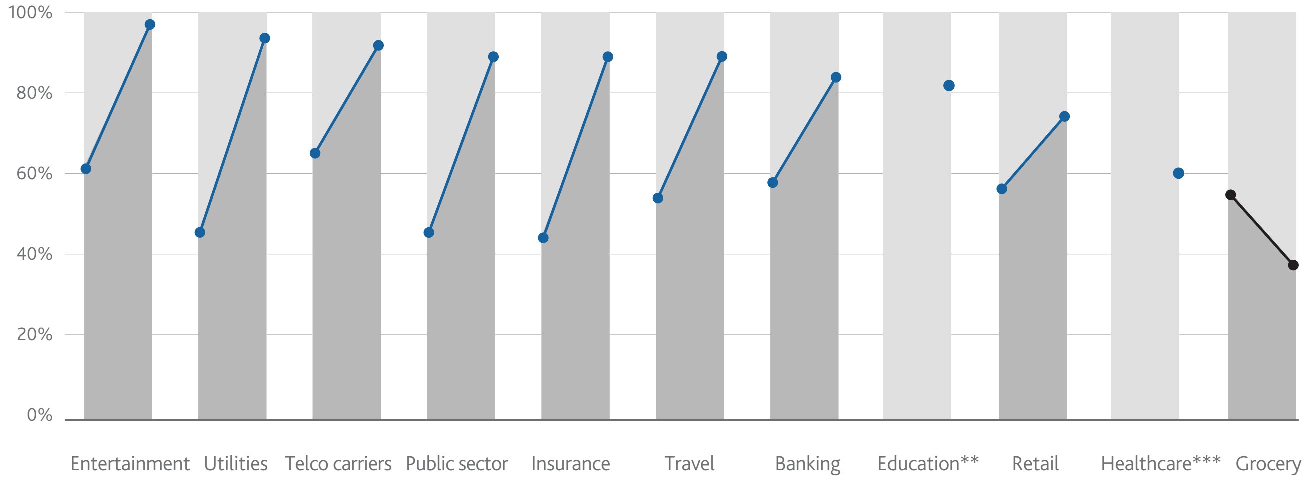


** Years ahead of the average rate of adoption from 2017 to 2019.*

Source: LeBerge et al. 2019 [96]

92 A 1980 paper from the U.S. Social Security Administration, written during the developed world's last great inflationary surge, provides a useful theoretical framework for understanding the impact of inflation on pension savings. See https://www.ssa.gov/policy/docs/workingpapers/wp14.pdf
93 Schwellnus et al. 2019.
94 LaBerge et al. 2019.
95 Hajro et al. 2021.
96 LeBerge et al. 2019.

*Figure 8: Consumer digital adoption in the U.S. and Europe by industry in the six months prior to April 2021**



** Percentage of users surveyed in Europe and the U.S. who used at least 1 industry through digital or remote channels in the past six months.*

Questions: Which of the following industries have you used or visited (remotely, online, or in person) in the past six months? How have you interacted with these industries in the past six months?

*** Percentage-point difference between the number of remote users in 2021 and 2020.*

**** No 2020 data available for this industry, which was not included in the 2020 survey.*

Source: Hajro et al. 2021[97]

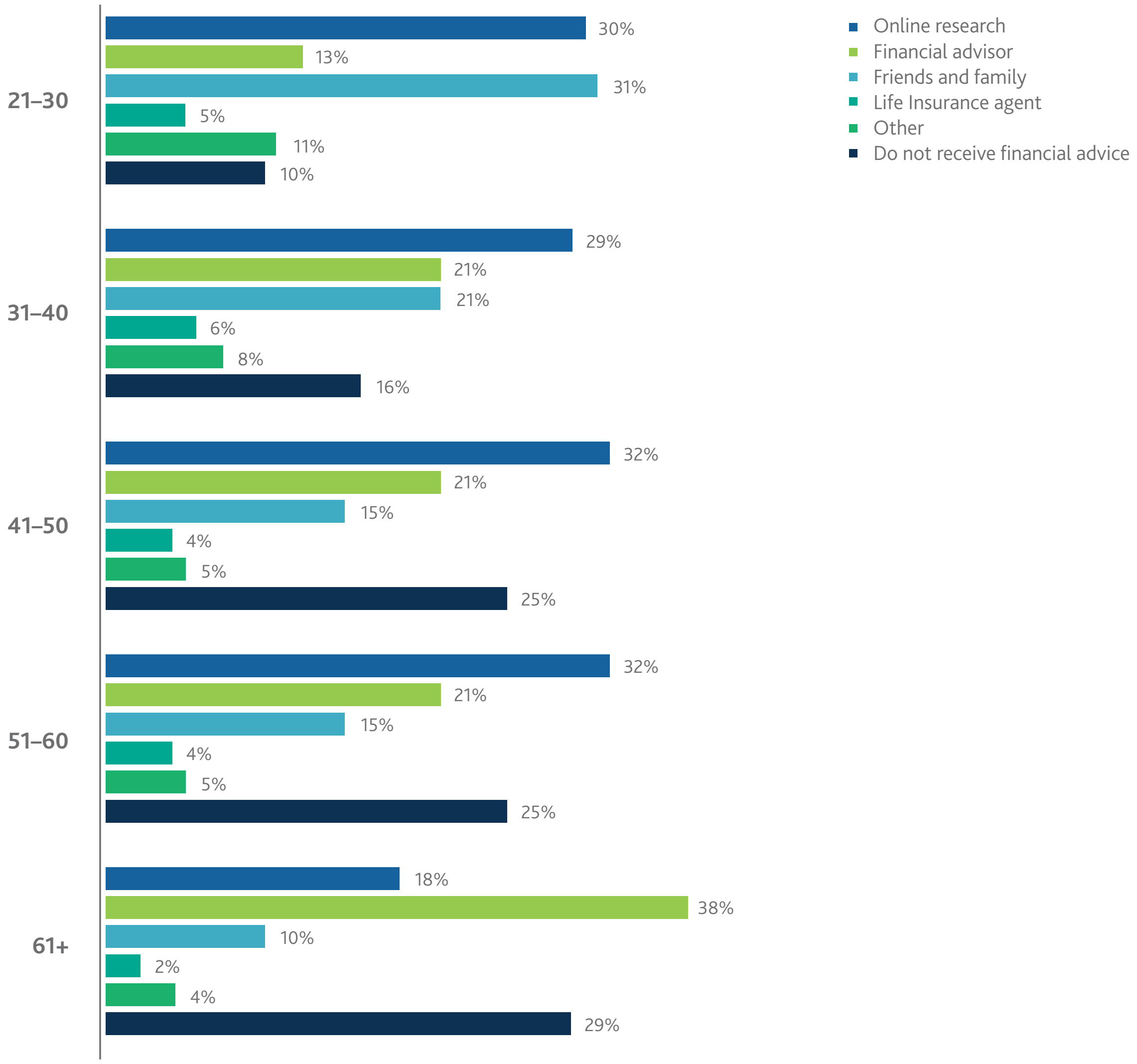
Demographics and technology adoption are intertwined. A 2021 survey in the U.S. conducted by Deloitte showed that almost a third of consumers aged between 21 and 60 years preferred using an online platform to initiate research on life insurance products, compared with less than a fifth of those aged 61 and over (see Figure 9).[98] The pandemic has also had an inadvertent effect on consumer awareness of and interest in purchasing mortality protection among younger cohorts. A 2021 survey conducted by the Life Insurance Marketing and Research Association (LIMRA) in the U.S. showed that 45% of Millennials expressed an interest in life insurance policies.[99] Applications among both Gen X and Millennials also surged throughout 2020 (see Figure 10).[100] Encouragingly, U.S. life insurance companies with digital capacity and algorithm-driven underwriting have experienced 30–50% increases in sales since 2020. However, while some life insurers have made headway, the industry as a whole has been slow to capitalise on digital technology to advance its position.

A report by Cake and Arrow in partnership with Coverager showed that 74% of the digital insurance market entrants in the U.S. in 2018 were digital intermediaries relying on traditional insurers to carry the risk and that the vast majority offered property & casualty products as opposed to life insurance.[101]

> While some life insurers have made headway on digitalisation, the industry as a whole has been slow to capitalise on technology to advance its position.

97 Hajro et al. 2021.
98 Kakar 2021.
99 Dunsavage 2021.
100 Christoforus 2021.
101 Cake and Arrow 2019.

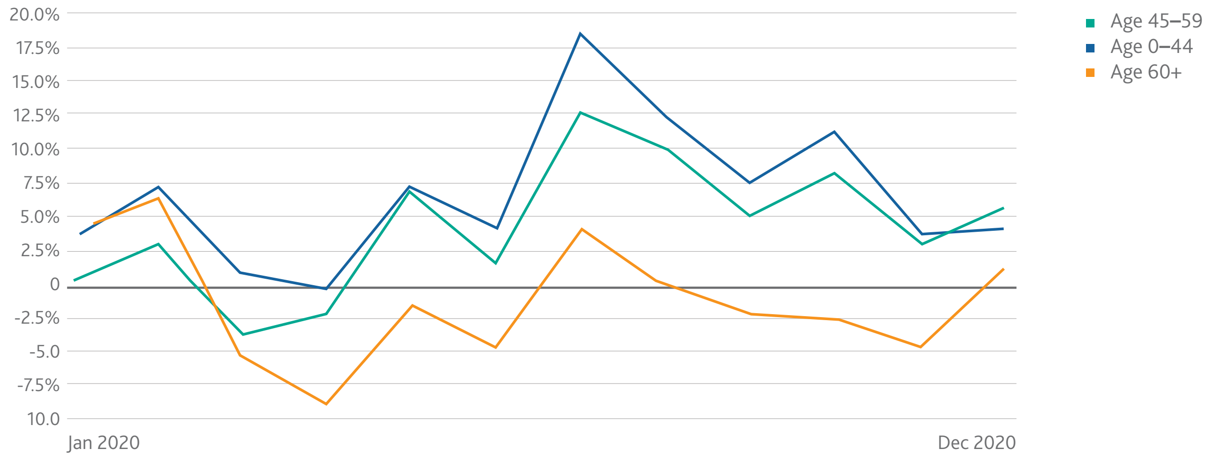
Figure 9: Preferred financial advice channels by age (survey from October 2020)



Source: Kakar 2021 [102]

102 Kakar 2021.

Figure 10: U.S. life insurance applications throughout 2020, % change from 2019



Source: Christoforus 2021 [103]

In order to make progress toward financial inclusion and narrowed protection gaps, technology needs to move beyond creating digital interfaces for marketing and distributing products to offering more attractive product pricing and customer experiences.

It is possible that the overall momentum towards digitalisation may fade as the world recovers from the pandemic. But it seems more likely that the awareness it has generated among younger cohorts, coupled with a maturing digital infrastructure, will have longer-lasting effects. These technological tailwinds will likely create new market opportunities for life insurers as they cast their net wider to reach new (often younger) groups. But digital engagement alone will not necessarily guarantee financial inclusion or appreciably narrow the protection gap. For this to happen, the use of technology will need to move beyond creating digital interfaces for marketing and distributing products to offering more attractive product pricing and customer experiences. Insurers will also need to do a better job of engaging the elderly, lower-income groups and small businesses, all of whom remain notably sidelined from the advances seen in digitalisation of financial services.[104, 105] Reaching these consumers will require sustained efforts in financial literacy, product customisation and proactive support in navigating the market.[106]

It appears that insurers, despite making some progress, are behind the curve in leveraging digital technologies. The gap between what consumers need and what most insurers can provide digitally has resulted in the proliferation of independent technology-led platforms specifically designed to facilitate understanding of, access to and management of financial (and non-financial) wellbeing solutions. These platforms are positioned at the intersection of fintech, age tech (technology exclusively designed to serve older adults, often collaboratively) and health tech. The tools and services they offer range from aggregation of pension savings, which can be cumbersome for clients under traditional pension insurance models, to flexible investment plans and remote health and care management. Age tech venture funding alone is estimated to have increased more than tenfold since 2011 to reach over USD 1 billion in 2020, suggesting that this is an industry poised to make the most of the longevity economy.[107] These innovative players will no doubt set a certain (digital) benchmark in consumer expectations from financial wellbeing products.

103 Christoforus 2021.
104 Kapelouzou 2021.
105 Rosell 2021.
106 Patwardhan et al. 2018.
107 Etkin 2021.

4. Insurers' response to the new market realities

4.1 How have life insurers reacted so far?

The life insurance industry's response to the drivers discussed above has been highly varied. Some life insurers have been conservative while others have embraced innovation. This section provides global insight into how life insurers perceive their role in financial wellbeing and the way in which they have applied the concept.

Life insurance is still dominated by traditional businesses that facilitate the accumulation or de-cumulation of savings through products such as annuities and endowments, which accounted for 81% of global life insurance premiums in 2019. However, this share is down from 86% in 2008 when the Global Financial Crisis hit. Primarily as a result of low interest rates and a higher awareness of biometric risks, protection products have recently gained in market share. Such products include term insurance, disability and critical illness insurance, all of which generally have a shorter duration than savings-type products and hence less exposure to changing interest rates.[108]

In response to the changing macro-economic environment and higher solvency requirements for yield guarantees, life insurers have also steered their portfolios towards unit-linked or asset-management-type businesses, where the investment risk is largely with the policyholder.[109] While increased risk sharing with customers may be consistent with the industry's purpose of offering affordable coverage to as many people as possible, the relevance of this trend for retirement security varies across countries and depends on the institutional peculiarities of retirement systems. In the U.S., for example, the value of annuities and other savings-oriented life insurance obligations is less than 10% of defined-(i.e. guaranteed) benefit pension obligations.[110, 111, 112]

> Financial wellbeing products serve a package of needs that often go beyond the traditional offerings of life insurers.

108 Swiss Re 2020.
109 The Geneva Association 2017. Author: Daniel M. Hofman.
110 SOA 2021.
111 Insurance Europe 2019.
112 Holsboer 2000.

At the same time, a growing number of insurers have embraced innovations and developed products that support a broader spectrum of customer financial needs, as illustrated in Figure 11 and the case examples below. For the purposes of this report, **financial wellbeing products** are defined as serving a package of needs that often go beyond the traditional offerings of life insurers. These needs can be grouped into three categories:

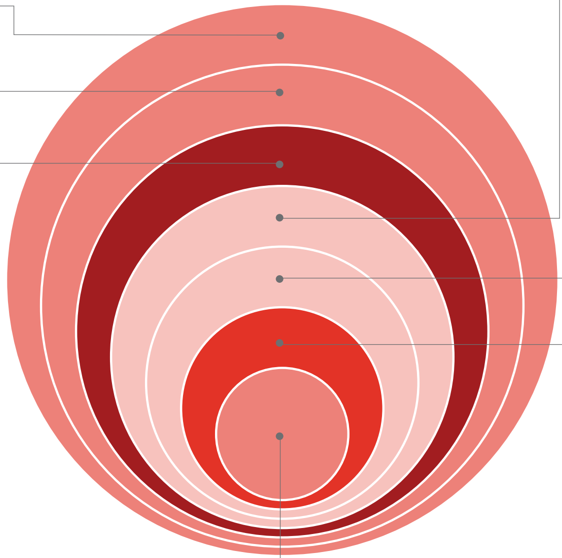
1) At the very core of financial wellbeing lies **financial literacy.**

2) From there, the needs progress towards **everyday financial demands** such as spending, borrowing and saving.

3) Finally, they touch upon needs related to **long-term financial security**, including retirement planning, steps to ensure general wellness and risk protection from unforeseen life events.

Many life insurers have started to expand their role to address all parts of this spectrum. But for the vast majority of life insurers, the focus is concentrated on areas denoted in dark to moderately dark shades in Figure 11, such as retirement planning, savings and financial literacy, among others.[113]

Figure 11: Financial wellbeing: Customer needs



Risk management

Life insurance: Risk protection from mortality, disability and loss of income.

Other wellness measures

Nudge uses behavioural psychology to tackle holistic wellbeing – physical, mental, financial and social health – and works in partnership with insurers.

Retirement planning

PensionBee is an aggregation platform that identifies and consolidates pension funds and devises investment and annuity payment plans in partnership with insurers and directly with consumers.

Pension calculator is another tool offered by many, including insurers.

Money management

UpWise by MetLife helps to build positive financial habits by tracking spending habits, analysing money moods and supporting saving goals.

Debt counseling

StepChange is a non-profit organisation offering debt counselling and practical support for managing debts.

Savings

ING Everyday Round Up automatically rounds up any card purchases to a set amount and deposits the excess in a savings account or applies it towards paying down a home loan.

Literacy

FutureFIT University by AIG is a web portal with online tutorials to enhance financial literacy.

Source: The Geneva Association 2022

113 Based on The Geneva Association's survey elaborated in section 4.2.

Examples in focus

Upwise is a digital financial wellness app by MetLife that tracks financial concerns or stressors like monthly budgeting, debt or long-term savings and helps users prioritise financial goals. It suggests simple actions to develop good financial habits and make customers feel more optimistic about what their money can do for them. The more consumers take advantage of the app's features, the better Upwise understands their individual needs and delivers a personalised experience and recommendations toward financial wellness. A key innovation of the app is the tracking of monetary moods: only after understanding customers' emotional relationship to their money does Upwise dive into financial goals.

Source: MetLife, adapted by The Geneva Association

SNACK is a Singapore-based digital micro-insurance product targeting Millennials that builds insurance coverage in bite sizes through daily activities. Whenever customers shop at SNACK brands or perform a lifestyle activity, a micro-insurance policy is issued to them for term life, income or accident coverage through an app. Coverage grows with each activity performed, with daily premiums as low as SGD 0.30. Clients have the flexibility to adjust premiums, add or remove lifestyle activities and withdraw their entire portfolio anytime without any fees or penalties. With an easy-to-use, intuitive model and low entrance barriers, SNACK deepens protection for the young who may struggle with cash flow by integrating insurance with everyday activities.

Source: Metzler and Murphy[114]

Vitality Money, offered by Discovery, is a financial wellbeing plan with a focus on five main financial behaviours: having enough savings, managing debt, accessing insurance, retirement planning and investment. Through personalisation using real-time data, nudge techniques and incentives, the product identifies areas of improvement to unlock benefits. It incorporates dynamic adjustment of borrowing and saving rates, discounts on healthy lifestyle choices and Vitality Active Rewards for meeting a set of weekly goals. Progress towards retirement saving is calculated by comparing monthly contributions, accumulated savings and income to a target in line with the age of the user. Products include annuities, provident funds and pension funds from Discovery Invest, including the Discovery Retirement Optimiser – a retirement savings investment that allows customers to convert life cover into extra income in retirement.

Source: Discovery, adapted by The Geneva Association

114 Metzler and Murphy 2021.

4.2 Insights from 25 life insurers

This section offers the perspectives of 25 large life insurers (with combined annual gross premiums for the life segment amounting to over USD 550 billion)[115] on the evolving concept of financial wellbeing. It is structured as follows:

1) Insurers' interpretations of and perceptions about financial wellbeing.

2) How the concept of financial wellbeing is being applied in practice.

3) Practitioner insights into the opportunities and challenges involved in cementing insurers' role in financial wellbeing.

4.2.1 Defining financial wellbeing from an insurance perspective

Respondents were asked to share their understanding of the evolving concept of financial wellbeing from the perspective of life insurance and based on the needs in the countries/regions where they operate. The first and most common theme that emerges is an acknowledgement that financial wellbeing is a dynamic phenomenon encompassing a range of needs over the life course. This is broadly in line with the academic definition cited at the beginning of this report, as well as the schematic presented in Figure 11 above. However, despite this clear acknowledgement, the second most common theme is a distinct emphasis on the role of *'retirement'* preparedness alone in promoting financial wellbeing, something that is strongly associated with the traditional role of life insurers. This emphasis is elaborated in the word cloud in Figure 12, where the bigger and bolder words denote the greater frequency of their usage in the survey responses. Issues such as financial literacy or financial anxiety feature less explicitly or frequently, and only a few respondents allude to matters concerning day-to-day financial management. One could argue that the relative importance of insurance industry priorities suggested by the bolder words in Figure 12 hardly comes as a surprise. But what is significant is that it reveals a large gap between what life insurers acknowledge as financial wellbeing needs and what they see as solutions. Perhaps this gap also indicates that the life insurance industry as a whole has yet to meaningfully adjust to the new market realities and crystallise a new vision of its position in the financial wellbeing landscape.

115 Calculated based on published data for the life segment (including health, life, annuities, accidents and disability) in 2021, and when not available, 2020.

Figure 12: What matters to life insurers in promoting financial wellbeing

Source: The Geneva Association 2022

The majority of respondents identify demographic shifts as the main driver of financial wellbeing, whereas technological shifts are seen as least important. This result could be partly explained by the composition of the sample, which has a higher representation of rapidly ageing markets. Whatever the explanation, respondents view technology as more of an 'enabler' to develop better tools, products, marketing and distribution, rather than as a driver in and of itself. At the same time, some feel that the potential of digital technology in areas such as gamification of savings products and a more in-depth role for real time data-led innovations is still unrealised.

4.2.2 *Financial wellbeing in practice*

Respondents identify insurers followed by banks as the most active players in the financial wellbeing space. Government comes third. Professional advisory firms, non-governmental organisations (NGOs) and independent digital platforms are seen as moderate or the least active players, perhaps not fully taking into account the recent growth in the age tech sector.

> The Geneva Association's survey reveals a large gap between what life insurers acknowledge as financial wellbeing needs and what they see as solutions.

Almost all respondents' companies offer products and services to support financial wellbeing that go beyond traditional risk and savings solutions, with the main motivating factors being improving customer appeal, numbers and retention. However, one significant finding is that improving risk exposure through preventive measures is the least cited motivating factor for offering these products.

> Improving risk exposure through preventive measures is insurers' least cited motivating factor for offering financial wellbeing products. Assisting with retirement is the most cited goal.

Consistent with the interpretations of financial wellbeing offered by insurers and discussed in section 4.2.1, assisting with retirement is the most frequently cited core goal of products. This is loosely followed by encouraging general savings, improving financial literacy and, finally, enhancing risk protection and general wellness. Everyday money management appears more peripheral and debt counselling falls outside the scope of insurers. The findings reveal that while insurers are still mostly working within the parameters of their traditional roles and goals, they are taking incremental steps to influence savings habits. And while comments on the need to boost financial literacy are reasonably consistent, concerns appear to be mostly confined to the topics of retirement and risk protection alone, as opposed to a broad spectrum of financial needs throughout the life course.

In the retirement space, innovations include: modular coverage for specific risks to avoid customers having to buy blanket life policies, with these products often targeting younger cohorts and gig workers; offers that combine lower guarantees with increased upside potential through investment returns; incentivising new ways of de-cumulating and deterring early drawdowns; behavioural-science-led nudges to encourage savings; mid-life wealth checks; payback and discounts for adopting healthy lifestyles that promote active ageing; ensuring ease of passing benefits to successors; and collaborating with social programmes and micro-insurers to cover vulnerable workers, among others.[116] Technology in this space is viewed as a means to develop creative interfaces and offer new online tools. These include tools for comparing retirement scenarios and accessing financial resources, as well as app-based programmes to monitor and manage retirement savings or understand financial stress points to formulate better goals. Promoting financial literacy is integral to most products, though it is usually tailored to the context of retirement planning and protection, as indicated before.

Only a handful of insurers target financial wellbeing solutions to all age groups. A minority addresses financial literacy among the young – even though people's early years are the most formative years in their lives and significantly influence their later choices and life chances.[117] The majority of solutions target working-age adults, with slightly more emphasis on those aged 41–64. Focus on older adults aged 65 and over is moderate.

These findings pose two major concerns. Firstly, insurers are missing an important opportunity to promote financial literacy and preparedness among the young and cement their role in the early years of people's (working) lives, an oversight that may reflect an understanding of financial literacy that is focused on retirement and protection goals rather than a more holistic set of financial needs and products. Secondly, while a number of insurers have identified the opportunities accorded by the longevity economy, attempts to harness the 'grey dollar' and recapture the elderly population with innovative solutions that meet needs in older age remain modest. This finding is surprising, especially given the rapid growth in the elderly as a share of the population and the fact that many people may continue to work beyond traditional retirement age, as discussed in section 3.1.

In terms of distribution channels, the use of digital channels by insurers appears to taper off at older ages, with more emphasis on direct contact with banks, agents and advisors for customers aged 65 and over. This bias towards the young and the middle-aged when it comes to digitalisation seems to confirm the insufficient focus of the life insurance industry on the longevity economy and an assumption about older consumer preferences which may or may not prove to be correct. Not only does it risk overlooking the promising developments seen in the age tech sector described in section 3.4, it also risks undermining financial inclusion of the elderly as insurers rush to adopt digital technology.

In terms of the effect financial wellbeing products have had on key consumer metrics such as numbers, retention, behaviour, outcomes and experience, the overall survey feedback is measured, with no single area standing out. A 'fair' effect is observed in areas such as consumer numbers, retention and experience as a result of rolling out financial wellbeing products and services. This is followed by 'some' effect in areas such as consumer engagement and behaviour. While there is optimism about the potential effects of financial wellbeing products on consumer outcomes, such as reducing financial anxiety and improving health, the observed effects are more mixed, oscillating between 'fair' and 'some', perhaps reflecting the newness of these initiatives.

The more positive effects in the areas of consumer numbers, retention and experience can be explained by a number of factors. Cross-selling of products may have enabled insurers to capture consumers in different ways – for example, by combining financial with non-financial wellbeing products and services and rewarding better lifestyle through lowered premiums. Equally, investment-linked products may have had a greater appeal for risk-taking and yield-minded consumers. Digital interfaces may also have helped to boost consumer awareness, access and experience. Nonetheless, there remain notable gaps with regards to increasing the number and quality of touchpoints with customers. For instance, while there is a strong focus on consumer experience and access, the use of data generated by new technologies does not appear to

116 See 'Examples in focus' in section 4.1.
117 Philippas et al. 2020.

be widespread, and this may limit the ability of insurers to sufficiently understand and guide the consumer in real time or to make products simpler and easier to follow.

4.2.3 Reflection on the future: opportunities and challenges

There is almost a unanimous view that insurers are highly capable of fostering financial wellbeing and that more can be done to improve on the status quo despite the macro-economic head winds. As the onus of retirement and long-term savings shifts from the state and employers to individuals, individuals often do not have the capacity to assume this responsibility. This is where insurers are thought to have an important role to play in partnership with other stakeholders. Rising to the challenge will require major innovations on the part of insurers, who may need to shift their focus to health and general wellbeing, as well as making sustainable investments and offering new incentives to improve the consumer appeal of their products and services.

> …insurers are highly capable of strengthening their work on financial wellbeing and are well-positioned to offer consumers holistic solutions across retail and group channels. In order to optimise these offerings, it is critical that insurers build consumer-centric financial health products and services that cover the full spectrum of financial needs and goals along with personalised insights and a customised experience. ***MetLife***

> …very few consumers say: "I want a product that will make sure I can pay my fees in a nursing home." Many more say: "I don't want to go into a nursing home! I want to avoid it by staying fit and healthy and – if I do go into a decline – I want to remain independent in my own home." ***Swiss Re***

> …the representative Chinese family structure is 4-2-1 (or 2), with one couple needing to care for 4 old parents and 1 or 2 young children, which is a big burden for the couple. Motivating their purchase of life and pension insurance is not easy. ***China Taiping***

Respondent feedback on opportunities can be categorised into three areas. Firstly, there is the opportunity to meet the needs of consumers whose work and retirement experiences will look very different from the status quo. Doing so will require better customisation of products, as well as creating touchpoints that speak to personal needs, circumstances and financial aspirations.

Secondly, considering the low-level prioritisation of insurance by many consumers, there is an opportunity to redefine retirement savings within the broader concept of general savings. In order to accomplish this, insurers will need to adopt a one-stop-shop approach to savings needs, with in-house and third-party capabilities to manage wealth and financial wellbeing throughout the life course.

Finally, opportunities accorded by the longevity economy could be leveraged through better integration of health and elderly care. With fundamental changes in the population pyramid, where there are now more old than young, many Asia-based insurers in particular (though not exclusively) feel health and social care will become major areas of consumption. This warrants devoting more resources to developing solutions that help the aged live better by offering enhanced protection while also unlocking their purchasing power.

The perceived challenges can also be categorised into three areas. Firstly, the static, squeezed or insecure income of the working-age population increasingly challenges financial wellbeing in high, medium and low-income countries alike, a view which broadly corroborates the findings in sections 3.1 and 3.3.

Secondly, within companies, there remains a deep-seated entrenchment of traditional business models, and some may not have grasped the level of threats from (digital) competitors. For instance, the vast physical distribution channels of many insurers are still overwhelmingly focused on one-off sales of policies rather than being adapted to offer and manage more holistic financial wellbeing propositions as outlined above.

> …A belief that incumbent providers of life and pensions products have an entitled right to continue operating in the market will sow the seeds of their demise. If the incumbents do not have the appetite, ambition and stamina to rise to the challenge, many external disrupters will be keen to seize the opportunity. ***Aviva***

Finally, politics and the regulatory environment are unsettled. For instance, tax incentives change with every political cycle, doing little to instil long-term savings habits or stimulate insurance purchase. Also the lack of openness in the political discourse around longevity needs and the resultant pension gap adds to the complexity of insurers' operating environment. For example, raising the retirement age was a fiercely contested issue in the 2022 French Presidential election campaign. However the issue is resolved this year, it is likely to be revisited in future years, leading to growing uncertainty with each political cycle.[118]

118 Reuters 2022.

5. Concluding remarks and a way forward

"Prediction is very difficult, especially if it's about the future!" Danish Physicist and Nobel Laureate, Niels Bohr, once said. Any number of developments could alter the future environment for retirement and financial wellbeing more broadly in unexpected ways. The trend toward longer working lives might not continue as anticipated. Breakthroughs in biomedicine, coupled with advances in personal health technologies, could slow or even reverse the ageing process, rendering current demographic, fiscal and economic projections useless.

Even the declining role of the family in retirement security, which seems preordained by the dynamics of development, is not certain. In China, there is renewed interest in Confucian values, as evidenced by the family binding provision in its new informal-sector pension systems. In the U.S. multigenerational living is now on the rise. In 2014, for the first time since at least 1880, living with one's parents became the most common living arrangement for adults aged 18–34.[119]

119 D'Vera Cohn et al. 2018.

Yet over the next few decades, the most fundamental trends shaping the future environment for retirement and financial wellbeing seem certain to continue, which makes improving long-term savings and protection ever more urgent. The challenge for life insurers will be to develop products that better meet the needs of increasingly sophisticated consumers while successfully navigating their own business future. This final section offers recommendations in four key areas that require life insurers' attention, based on the research and findings presented in the report.

In the coming decades, the challenge for life insurers will be to develop products that better meet the needs of increasingly sophisticated consumers while successfully navigating their own business future.

5.1 Step up efforts to directly affect the determinants of savings and risk protection

There is strong evidence that much of what is saved for a person's future is significantly influenced by their everyday circumstances, financial skills and attitudes towards money, security and risk. It can also be argued that customer needs for financial wellbeing will transcend the needs typically met by life insurers, yet those needs will greatly affect the future of life insurance. This warrants a strategic examination by life insurance companies of how far they are willing to expand their role.

It is clear that financial wellbeing encompasses an ecosystem of products and services. It is also clear that if life insurers decide to tackle financial wellbeing strategically, they will have to assume a proactive role in shaping the very determinants of savings and risk protection in their countries/regions and guide consumers on their journey through greater personalisation of services and agility in meeting their needs. While the innovations and flexibility offered by the kinds of short-term products highlighted in the 'examples in focus' in section 4.1 are helpful, especially for low-income or younger workers, insurers will have to balance this with a long-term vision. This may require some insurers to create or buy new capabilities, or else partner with providers that offer them, including government agencies, financial advisors and wealth and asset managers, in order to develop a coherent constellation of new services, such as debt management and general savings solutions, that reach beyond the core offerings of life insurers.

5.2 Promote financial literacy in young age

Financial literacy is at the very heart of financial wellbeing. Yet people continue to underestimate their future needs given increased life spans, as well as the importance of insurance in enhancing their financial wellbeing. Insurers have an opportunity to address this gap in the immediate term with relatively modest investments that focus especially on early age. The survey findings make it clear that this is now sorely missing.

There is evidence to suggest that early introduction to financial education can influence future financial behaviours and build financial confidence.[120] Insurers can play a prominent role by helping to develop national curricula, by working with schools, communities and third-party platforms, including digital platforms, and by mentoring students and their working-age parents.[121] Social media, word of mouth, influencers and gamifying products can also help further this educational mission.

Insurers can support financial literacy by helping to develop curricula in cooperation with schools, communities and third-party platforms, and by mentoring students and their working-age parents.

120 Whitebread et al. 2013.
121 Some initiatives are already underway that can be used to guide such projects.
The Bank of England's Money and Me programme targets primary school children and incrementally introduces them to the various layers (or topics) of financial wellbeing. https://www.tes.com/teaching-resources/shop/Bank_of_England_Education
In Sweden, banks are partnering with pocket money apps such as Gimi to target financial literacy in younger cohorts. https://gimitheapp.com/en
The Scouts network in partnership with HSBC has developed 'bite-size classes' that promote financial literacy through gamification. https://www.scouts org.uk/supporters/hsbc-uk/

5.3 Improve risk exposure through preventive measures.

Much research demonstrates that there is a deep interdependency between financial wellbeing and general wellbeing, both of which may be highly amenable to preventive strategies to minimise risk exposure. These risks may include poor financial behaviours, such as inadequate savings, a too rapid pace of de-cumulation and erratic spending patterns, among others. Broader wellbeing issues, including those that are health-related, may also have a knock-on effect on productivity, wealth accumulation, how and when people retire and their needs in old age. These risks can manifest themselves in different ways at different ages and levels of income and wealth, as well as vary by consumer preferences and attitudes.

Managing these risks before they become claims would promote individual financial security as well as business sustainability. This will require embedding data science at the heart of services and risk management and focusing more on segmenting and understanding consumers to offer more tailored financial wellbeing solutions, as opposed to simply seeing technology through the prism of marketing, sales and accessibility. It will also require using financial and mental or physical health programmes to track the general wellbeing and financial performance of consumers. Achieving results on the ground using such technology would demand a thorough rethinking of life insurers' current distribution strategy as they move away from one-off product sales to life cycle portfolio management aimed at creating a long-term relationship with customers.

5.4 Tap into the longevity economy

Private insurance makes up a mere 5% of expenditure to support the income, health and social care of people aged 65 and over, with the vast majority (60%) supplied by the state, according to a study of 13 key insurance markets by Swiss Re.[122] This reality is reflected in the survey results, which confirm that the focus on consumers aged 65 years and over remains modest, preventing insurers from recapturing consumers by meeting their needs and desires post-retirement. Similarly, the product examples given do little to suggest that insurers are sufficiently prepared for the changing patterns of retirement itself, including unretirement, partial retirement and continued professional development in old age. It could be argued that the life insurance industry has been disproportionately focused on longevity risk rather than the burgeoning longevity economy, which can be a powerful source of economic and insurance business growth.[123]

Life insurers have an opportunity. Retirement savings and annuities could be targeted to support new needs of the 'silver economy'. Products could fund 'silver sabbaticals' that allow those over the age of 55 years to reskill and encourage them to remain engaged in the labour market. Products could supplement state-sponsored benefits, help pay mortgages or support dependents during work breaks, going beyond the standard income support insurance that is currently available.[124] Products could also support partial and phased retirement to offer the flexibility and work-life balance needed by older workers. The Swedish model of partial retirement may offer some insights regarding how voluntary life insurers might encourage employers to retain their workforce for longer.[125]

Similarly, many older people worry about who will look after them if they grow frail or fall sick, where they will live and how much it will cost, given that state benefits or retirement savings may not be sufficient to meet their needs. Products that offer ongoing assistance for an insured event, such as a dementia diagnosis or the inability to complete a set number of basic, daily activities, may be an attractive proposition. Such products may be more valuable than one-off cash payouts and could also lead to the development of other more comprehensive lifelong wellness products.

> If the life insurance industry is to help individuals and families meet their goals, it will have to provide a range of new financial wellbeing products and services alongside retirement savings and protection.

Monetising housing wealth through reverse mortgages is another valuable option, since it would help older people to stay in their primary residence and retain their financial independence. However, scaling such products would require improving consumer understanding of the risks they entail and their suitability given individual consumers' circumstances. New financial products could also include innovative risk sharing arrangements and be packaged with preventive care and case management products, thereby integrating life insurance with health insurance.

122 Swiss Re 2018.
123 Fengler 2021.
124 Professional networks such as Brave Starts, while nascent and not specific to insurance, have started work in this area to support those over 50 years who are embarking on a career change. Its experience may offer a wealth of insights. More information is available at https://www.bravestarts.com/
125 Wadensjö 2006.

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Much is at stake – not just for the life insurance industry but also for the financial wellbeing of future generations. The industry has an indispensable role to play in helping individuals and families navigate today's rapidly changing demographic, economic and social environment. But if it is to help them meet their goals more effectively, it will have to embrace a broader understanding of financial wellbeing and, while continuing to serve its traditional retirement savings and protection missions, also provide a wide range of new products and services that holistically meet people's needs across the life cycle. There are encouraging signs that the industry is beginning to address the challenge, but it is also clear that much more remains to be done.

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A series of drivers are reshaping financial risks, particularly in the area of retirement. A rise in health expenditures, ageing populations and low interest rates are contributing to retirement insecurity around the world. Long-term savings will be increasingly important in the coming decades, yet the demand for savings-oriented life insurance products has been declining. This report outlines how life insurers can promote financial wellbeing by going beyond the traditional business model to help people accumulate sufficient savings, maintain healthy lifestyles and manage risk over longer life spans.

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