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# Impact of Ageing on the Life Insurance Industry

## How to Make Life Insurance Products Fit for the Future

Dr. Maximilian Happacher

# From a pyramid to a cake dome

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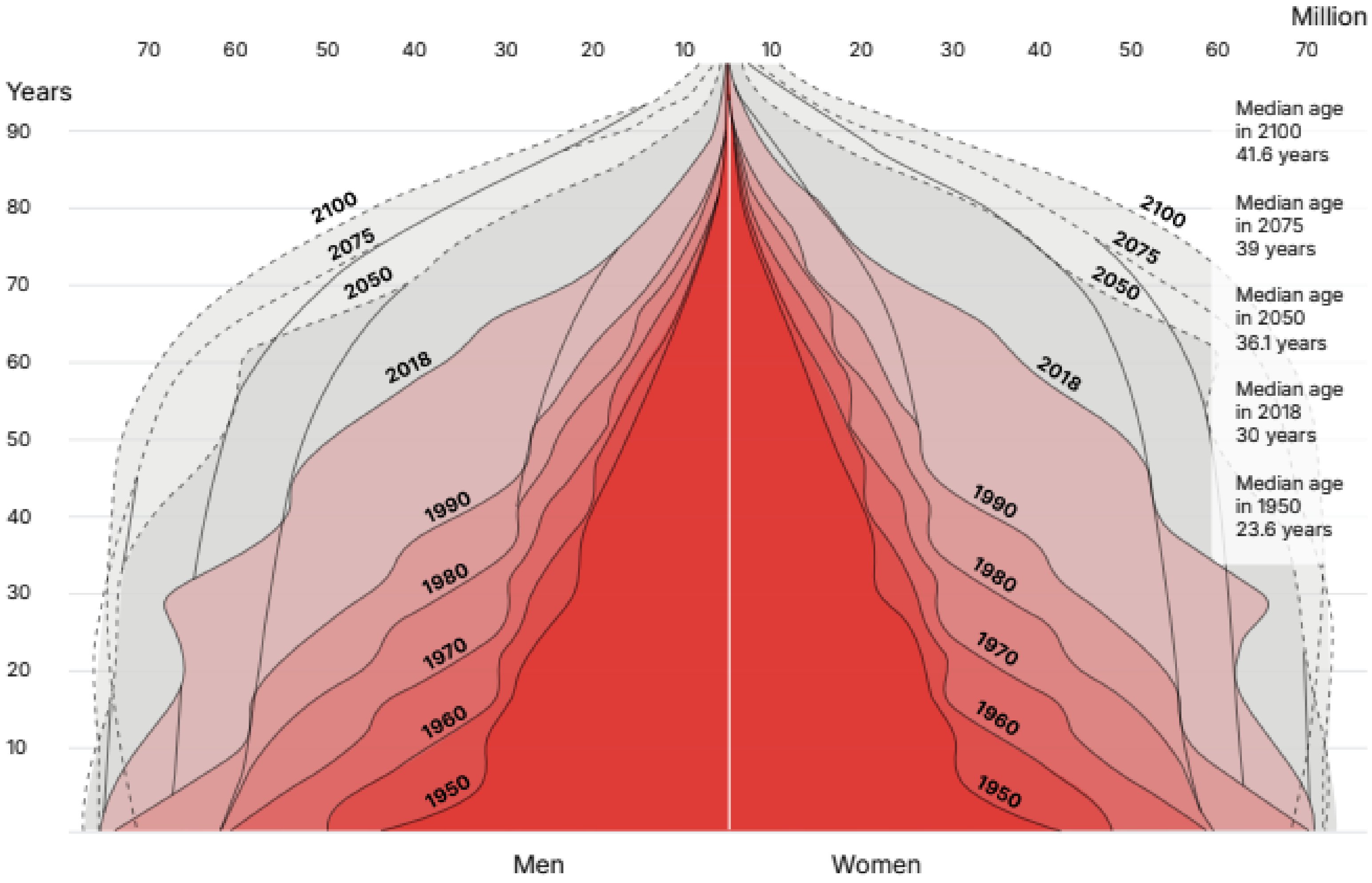
**The Global Demographic Transition**

**1950-2100**

*Source: Our World in Data 2019*



# Demographics and economics – Example Germany

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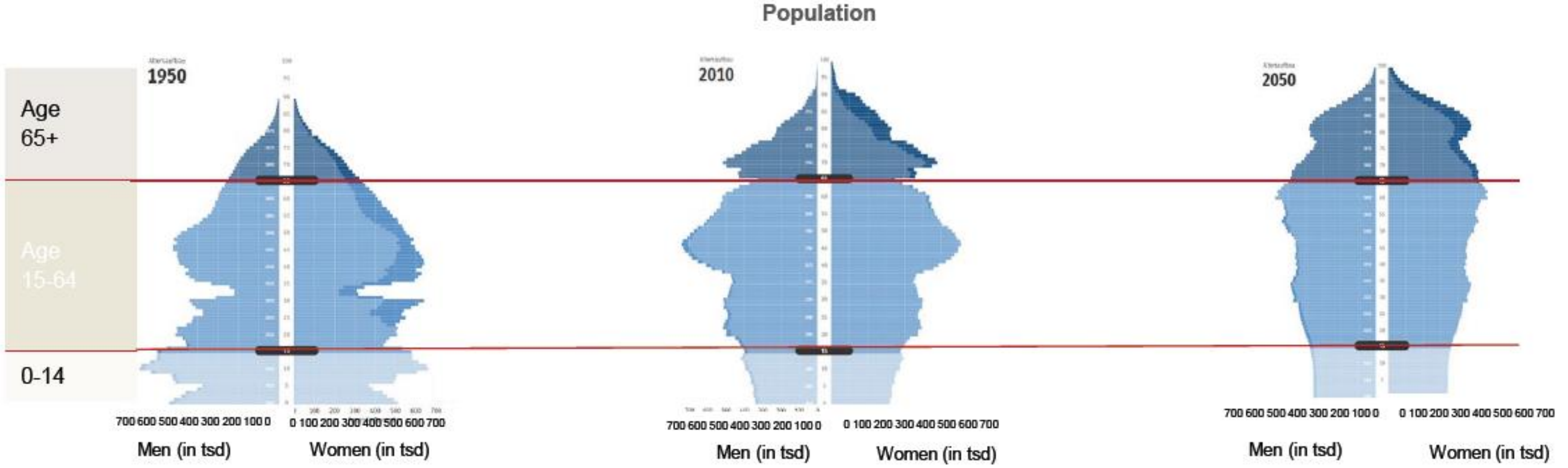



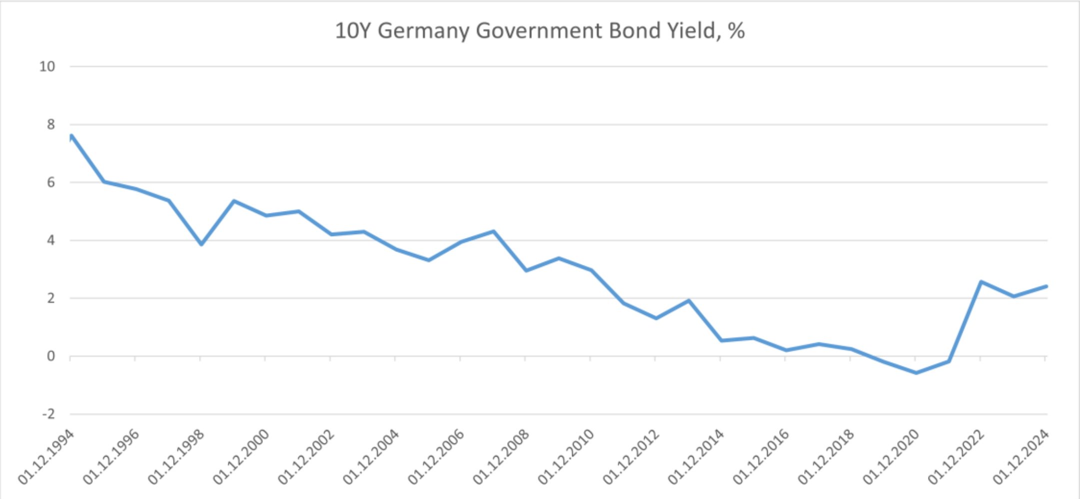

# Demographics and economics – Example China

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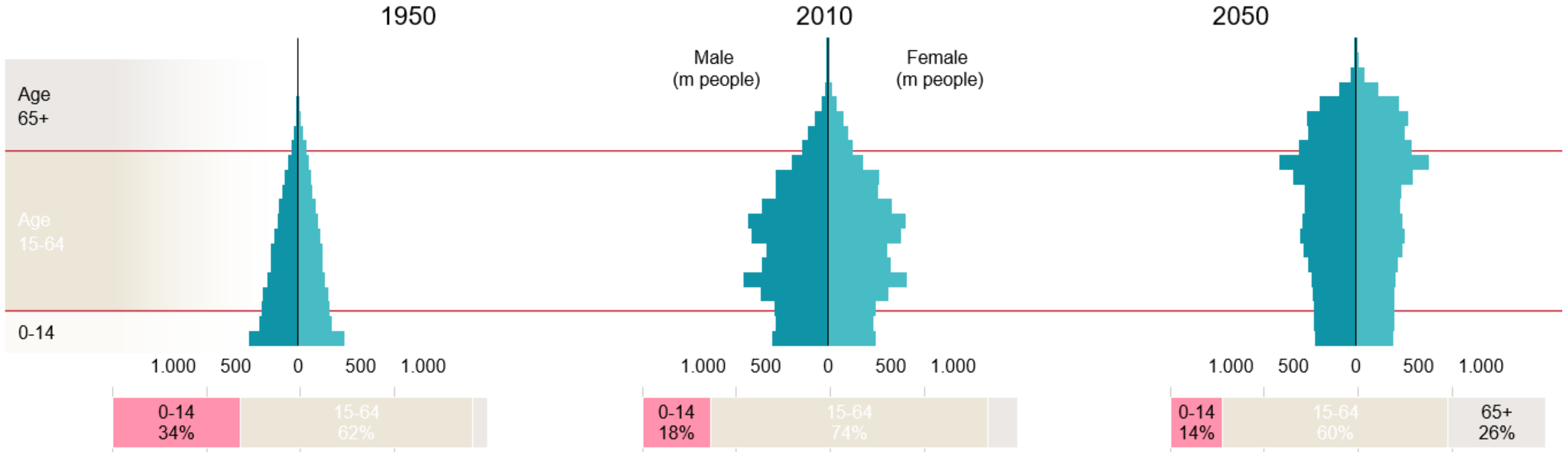


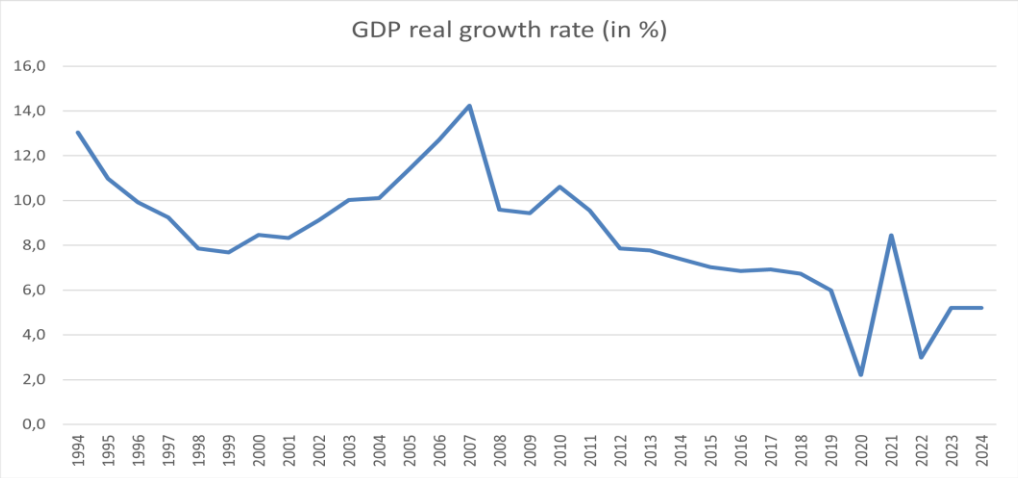


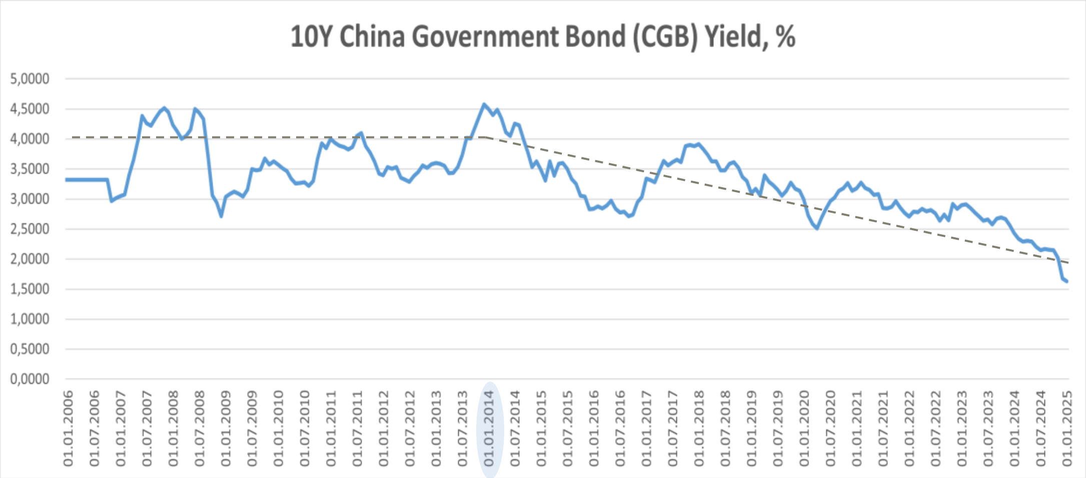

# Demographic challenges for pay-as-you-go systems

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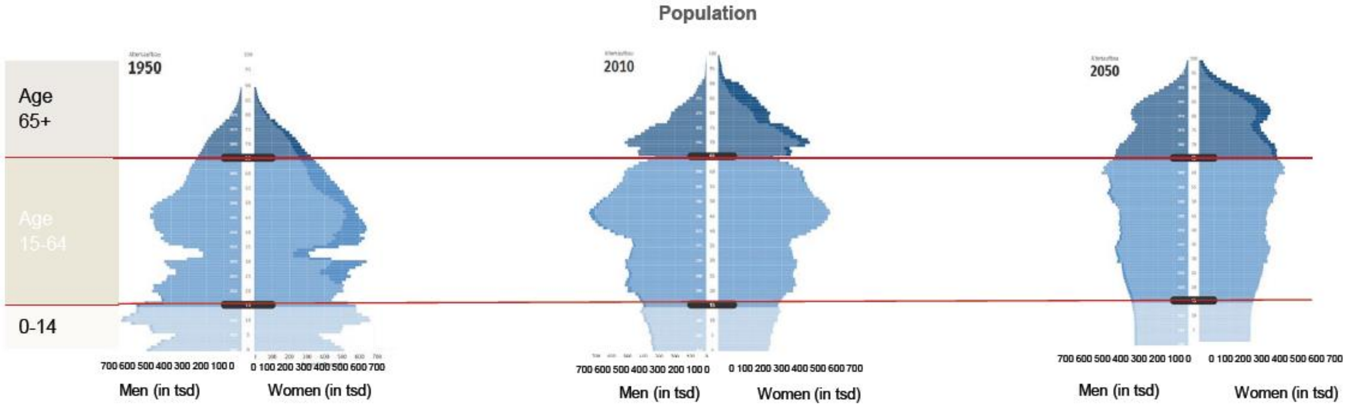


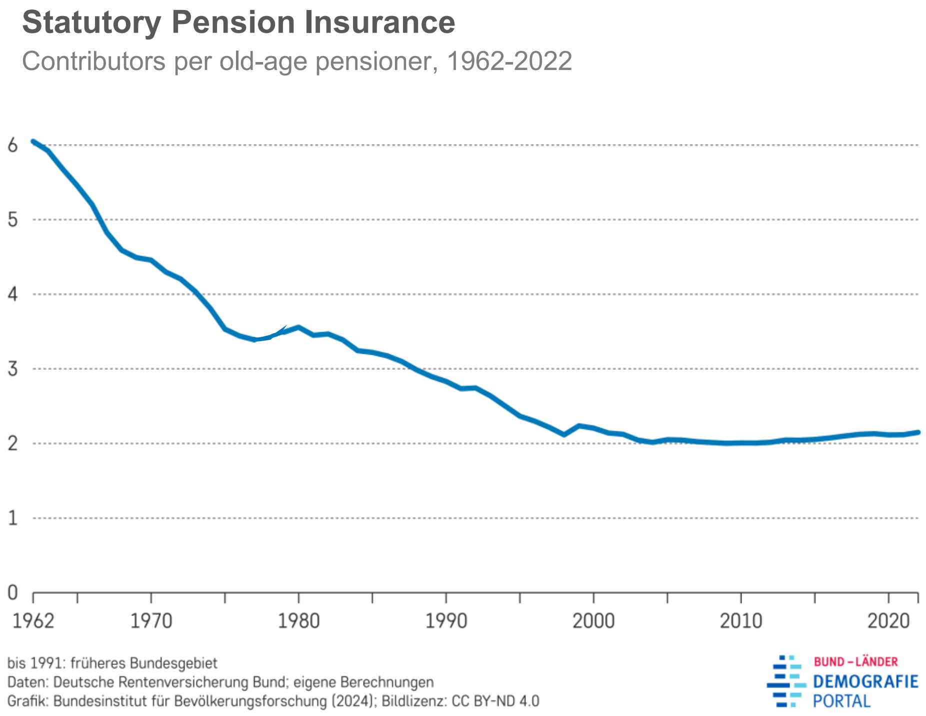

# Pay-as-you-go Schemes diversify with Funded Schemes

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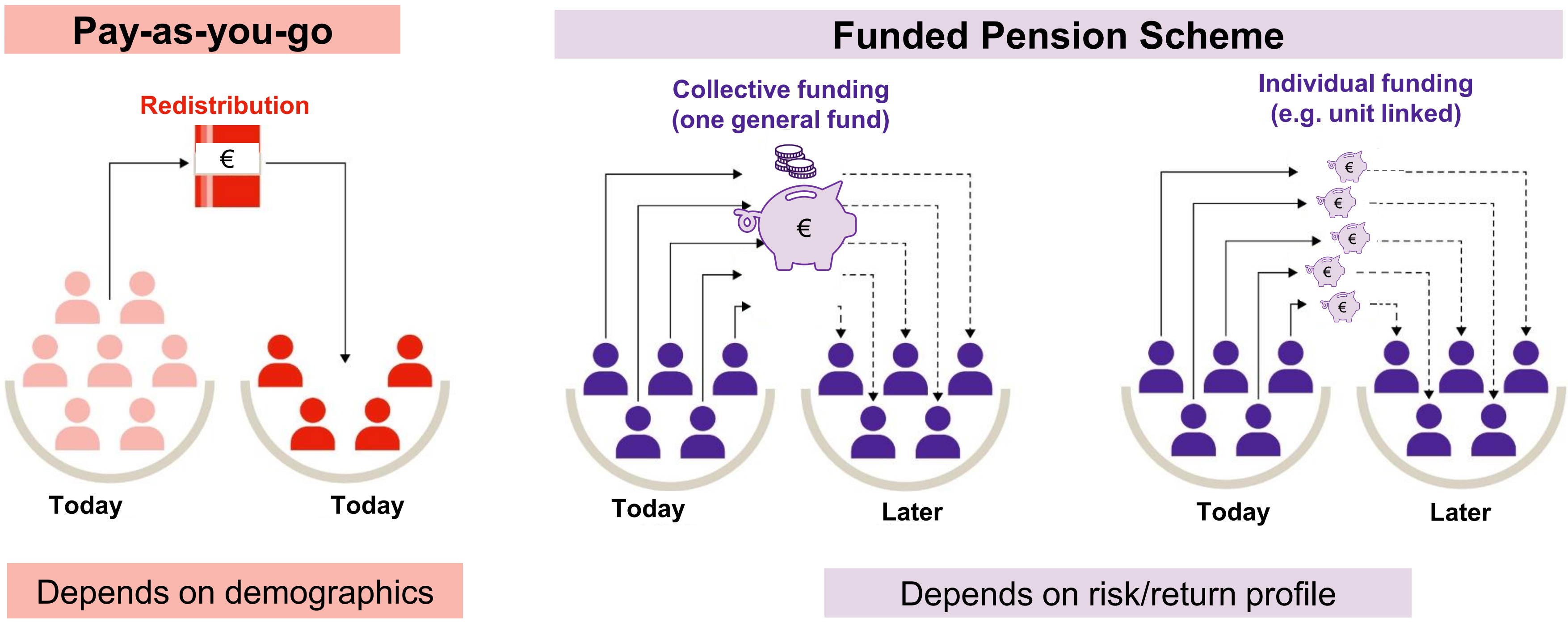
### Pay-as-you-go

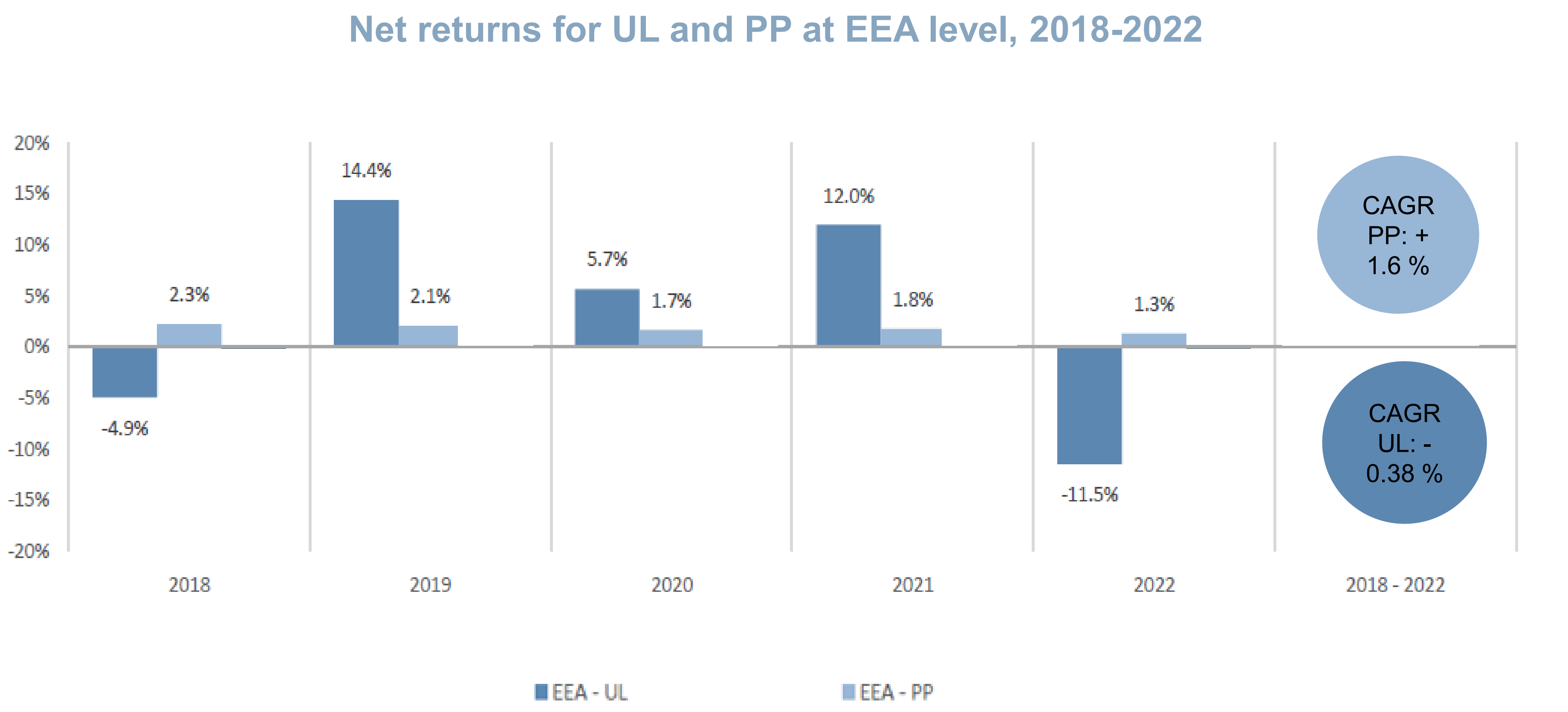
- Make use of a collective approach
- No participation in capital markets' opportunities

### Funded Pension Scheme

- Benefit from long-term investment returns
- Collective schemes typically with guarantees. High guarantees reduce customer value and limit insurer's product offer
- Individual schemes – usually without guarantees – do not make use of benefits from a collective approach



# Collective system vs. individual system




**Source**: Based on Cost and Past Perfomance Survey

# What is required?

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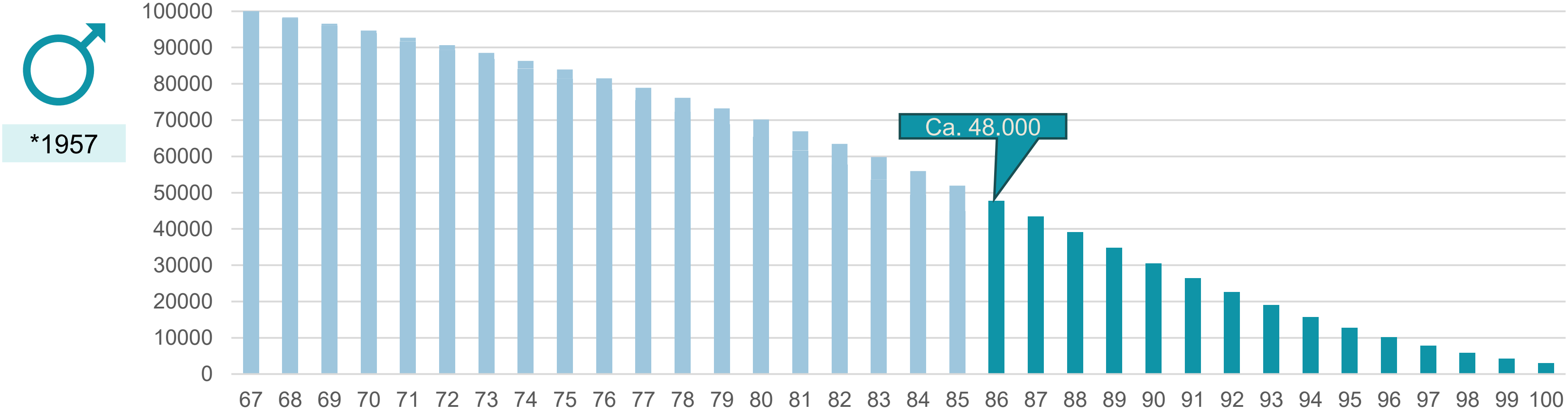
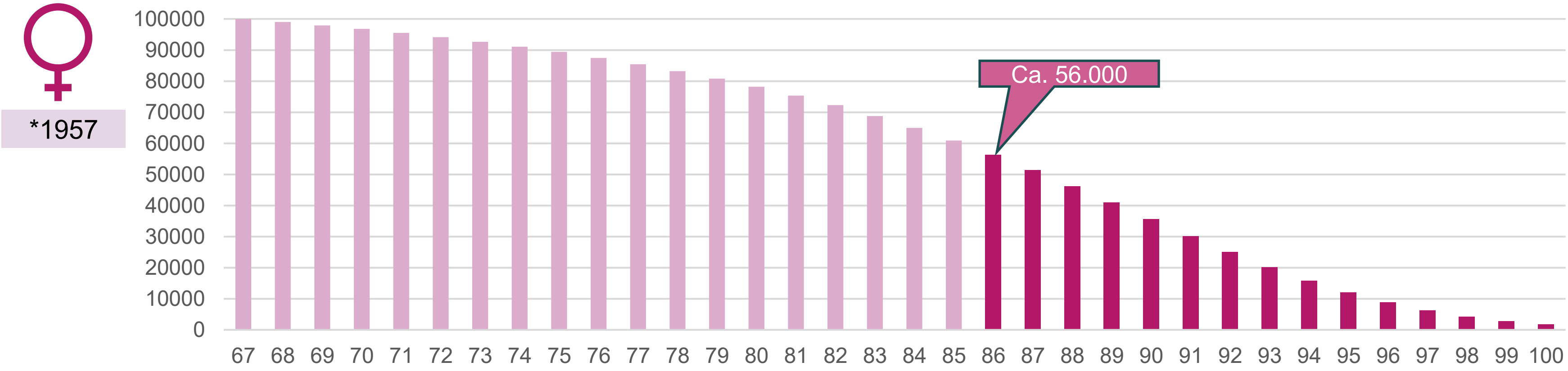
## Need for lifetime coverage

- Can only be achieved through a collective model

### Underestimation of Personal Life Expectancy






Source: DAV calculation based on period and cohort life tables V1 (Destatis)

# Approriate individual guarantees in collective schemes allow for higher lifelong income

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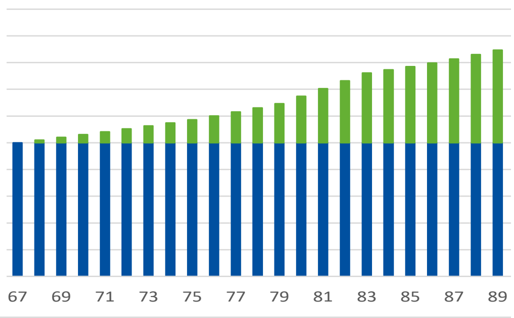
- Enable leveraging capital market opportunities
- Provide collective guarantees, but level of guarantee curcial

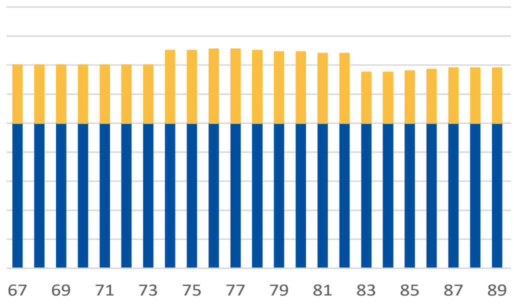
➢ **Traditional annuity**

➢ **Variable pensions with higher initial payouts**

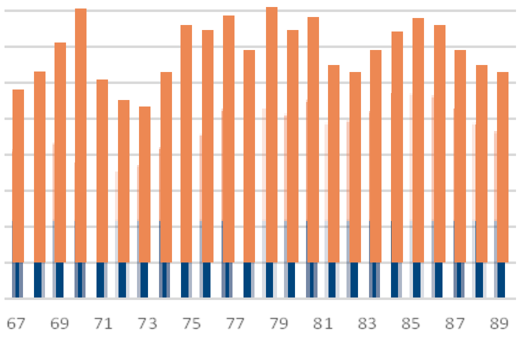
➢ **Tontines**




**Traditional annuity with ongoing profit participation. Guarantee: Annuity never decreasing**




**Fixed guaranteed annuity with higher initial payment**




**Additional payout from investments with a less conservative risk/return profile**

# Thank you!

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