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Evolving Frontiers, Exciting Prospects

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Five Game Changers for the Insurance Industry



1. Shifting Demographics
2. Risk Factor Evolution
3. Governance
4. Disintermediation
5. Changing Consumer Attitudes

1. Shifting Demographics

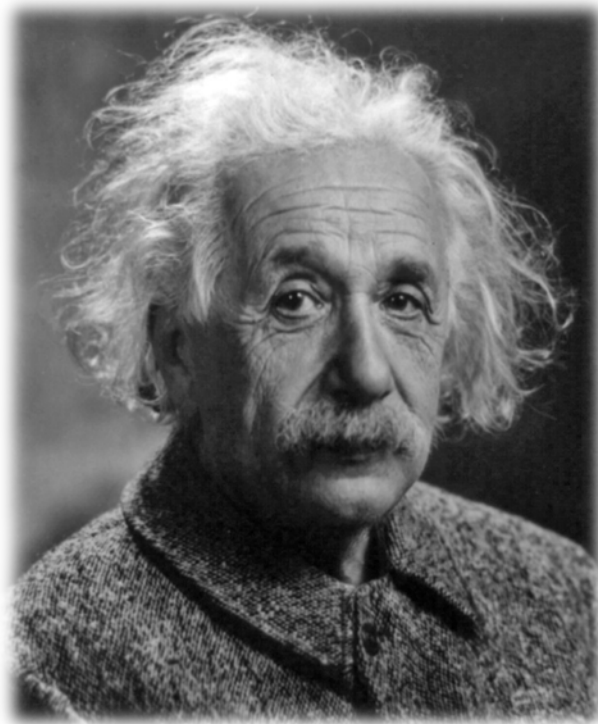
- ▶ Second-most populated country, expected to overtake China in 2050
- ▶ Increasing numbers, younger age cohorts, declining dependency ratios dramatically altering the population dynamics
- ▶ Improving infrastructure, health, education – social progress



Shifting Demographics

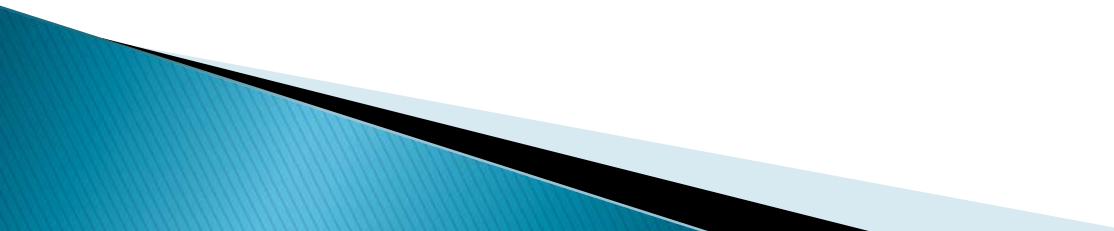
“In the middle of difficulty lies opportunity.”

Albert Einstein



Shifting Demographics

Partnering with Government

- ▶ Help mitigate longevity risk and address implications of aging populations
 - ▶ Use of tax benefits for compulsory plans
 - ▶ Incentives to motivate more personal responsibility in financial planning
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2. Risk Factor Evolution

Convergence of medicine, technology and lifestyle



Medicine

→ **CONVERGENCE** ←



Lifestyle



Technology

Risk Factor Evolution



Medicine

- ▶ Longer Life Foundation, Washington University in St. Louis
- ▶ Unprecedented research and concentrated funding leading to mortality improvements

Risk Factor Evolution



Lifestyle

- ▶ Proactive lifestyle management more common
- ▶ Increasing focus on quality of life
- ▶ Customer segmentation more important

Risk Factor Evolution

The Quantified Self



Risk Factor Evolution



Technology

- ▶ “AURA” Underwriting Technology is facilitating change
- ▶ Use of driving history; social media habits; purchasing patterns have correlation to mortality

Modern Administrative Highways

- ▶ Technology is transforming how we gather and evaluate information
- ▶ Generic electronic applications will become the norm

facultative underwriting

e-underwriting

databases for motor vehicle records

prescription histories

3. Disintermediation

- ▶ Four pillars of financial services:
 - Banks
 - Insurance Companies
 - Trusts
 - Investment houses
- ▶ Walmart



Disintermediation

- ▶ A new breed of players will dominate the insurance market



4. Governance

- ▶ Balancing what is good for our distributors, our owners, and our customers to the satisfaction of regulators is the new normal



5. The Ever-Changing Consumer

1960: transistor radio



1979: Sony Walkman



2013: Google Glass

2000 –
present: Apple
iPhone, iPod
and iPad



Game Changers

To summarize:

- ▶ Shifting Demographics: Adapting to an older client in search of longevity products
 - ▶ Risk Factor Evolution: Medical, lifestyle and technology convergence
 - ▶ Governance: It is not your father's regulator any more... global oversight
 - ▶ Disintermediation: A new generation of agile, competitive businesses – the economics of technology through outsourcing
 - ▶ Changing Consumer Attitudes: Serving the nano-second generation
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