

## PROLONGED LOW INTEREST RATES A COMPLEX BUT MANAGEABLE HEADWIND FOR LIFE INSURERS

ZURICH, 16 November 2017 – The effects of prolonged low interest rates on life insurers represent a complex but manageable headwind for the industry as it continues to adapt its business model in response, according to a new research report published today by The Geneva Association, the leading international think tank of the insurance industry.

The study *The 'Low for Long' Challenge: Socio-economic implications and the life insurance industry's response*, based on insights from senior industry leaders, analyses the impact that low interest rates have on life insurers, their customers and society. The broader context centres on the question of whether an extended period of low interest rates could impair the socio-economic role life insurers have played for many years.

Anna Maria D'Hulster, Secretary General of The Geneva Association, said: "The role of life insurance in helping individuals achieve peace of mind and financial security is significant. In a low interest rate environment, insurers have an even bigger role to play as individuals may struggle to find reliable retirement solutions with appropriate returns. Life insurers have come a long way in tackling the current challenges exposed by the current macro-financial environment, and industry leaders are reasonably confident that life insurance will continue to play its socio-economic role."

Low interest rates penalise individual retirement savings and may cause insurers to withdraw certain retirement savings products (especially those with performance guarantees) that customers had previously relied upon, but which can no longer be adequately priced in the current macro-financial environment. At the same time, there is an increasing likelihood that governments will have to cut public retirement benefits that were granted in the past. These factors combined put the socio-economic role of life insurers at centre stage.

Daniel Hofmann, Senior Advisor – Insurance Economics at The Geneva Association and principal author of the report, commented: "In our conversations with senior executives they also made it clear that customers must see value in product offerings. Failing to reach this goal would put at risk the socio-economic role of life insurance at a critical time when ageing societies face a growing need to access dependable and sustainable retirement solutions."

Interviewed executives highlighted three key priorities as part of the industry's response to the low interest rate environment:

- **In-force business management**, the goal of which is to create more value for customers and other stakeholders by better managing businesses that may have been on the books for decades.
- **Cost reduction**, where one of the major challenges arises from complicated IT legacy systems built decades ago. Respondents believed that new technologies represent an opportunity to improve the cost efficiency of life insurers.
- **A new business mix**, with the aim to rebalance the portfolio toward products that are better adapted to the current interest rate environment.

The core of the report is based on in-depth interviews with 18 senior executives of large, globally active life insurers, complemented by a quantitative survey completed by all participants. The report was further

complemented by industry statistics and balance sheet data of a sample of the five largest life insurers in six key markets (Germany, France, Italy, Japan, the U.S. and the U.K.).

## **ENDS**

Full report: [The 'Low for Long' Challenge: Socio-economic implications and the life insurance industry's response](#)

Issue Brief 1: [How the life insurance industry is tackling a 'manageable headwind'](#)

Issue Brief 2: [Low interest rates may place the life insurance industry's socio-economic role at risk](#)

[Infographic: The reaction of life insurers to low interest rates](#)

[Interviews](#) with Anna Maria D'Hulster, Secretary General, and Daniel Hofmann, principal author of the report

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### **About The Geneva Association**

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. It is a unique platform for dialogue between leaders of the insurance industry and key decision-makers at the international and national levels to evidence the important social and economic role of the insurance industry.

The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator.

The Geneva Association membership comprises a statutory maximum of 90 chief executive officers (CEOs) from the world's top insurance and reinsurance companies. It organises international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organisations.

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

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