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“Insurance Forum JAPAN 2019”
Executive Summary

The content in this executive summary was created by The Life Insurance Association of Japan.

On 5 June, 2019, The Life Insurance Association of Japan (LIAJ) hosted the "Insurance Forum JAPAN 2019" with the support of the Global Federation of Insurance Associations (GFIA) and The General Insurance Association of Japan (GIAJ).

The forum consisted of discussion panels based on the following four themes : "Utilising Digital Technology – Considering Ageing", "Responding to Ageing", "Contribution to Building a Resilient Economy", and "International Insurance Regulatory Framework from the Perspective of Ageing and Building a Resilient Economy".

The summaries of each discussion are as follows;

Opening Remarks

At the opening remarks, Mr. Taro Aso, Deputy Prime Minister, Minister of Finance, and Minister of State for Financial Services, Japan expressed his expectation that insurance companies have an important role to play in G20 Priorities, specifically in addressing ageing society and strengthening economic resilience.

Mr. Juan Pazo, Insurance Superintendent of Argentina, remarked that solidarity is the base of insurance and that we must narrow the protection gap.

Mr. Toshihide Endo, Commissioner of the Financial Services Agency of Japan, emphasised the importance of providing insurance products and services, which are elderly-friendly.

1. Utilising Digital Technology – Considering Ageing

The first panel discussed the impact of digitalisation on insurance business in various jurisdictions around the world, and how digital technology can be utilised to support people to “live better” and not just “longer.” As ageing is becoming more and more of a global phenomenon rather than a situation specific to certain areas, many countries have measures to support the elderly population. The panellists shared examples of how digital technology is actually being deployed to enhance financial inclusion of the elderly, who tend to be excluded or left out from the wave of FinTech.



The panel went on to discuss the importance of prevention by using digital technology, with the support and encouragement of the regulators who play a key role in establishing a well-balanced environment for innovative products and services.

While acknowledging that digitalisation is a double-edged sword, where solidarity amongst the insured may be disrupted due to, for example, mis-selection by biased usage of AI or information asymmetry, the panel was optimistic about technology playing a positive role in promoting rather than inhibiting financial inclusion. To keep the right balance between knowing more about the customer while avoiding potential discrimination, a panellist mentioned the role that the regulator can play, for example, setting up a guideline to make sure that the insurance industry follows the principle of FEAT (Fairness/ Ethics/ Accountability/ Transparency) when utilising AI.

Finally, the panel discussed the importance of Private-Public Partnership, and its key role in providing a holistic approach to solving problems that the industry is facing in the age of digitalisation.

2. Responding to Ageing

Ageing is a global phenomenon both in developed and developing economies and the pace of global ageing will accelerate in the coming decades. As the challenges and environment surrounding each elderly person vary significantly, multi-layered approaches have been contemplated to address the issue.

At first, this panel presented the overview of global ageing and the vulnerability of elderly people with updated data and facts. Then, pioneering activities to provide elderly-friendly products and services equipped by innovative technology were shared. The panel also addressed the cutting-edge knowledge, including financial gerontology, which helps cope with problems caused by deterioration of health, cognitive or physical capacity of elderly people.

This panel emphasised the importance of (1) promoting financial literacy alongside health promotion with a focus on understanding and mitigating risks, (2) facilitating innovations that improve the living conditions of elderly people by utilising cutting-edge knowledge, (3) incentivising self-help actions through tax benefits or subsidy for insurance and pension, and (4) facilitating a regulatory and supervisory framework which does not disincentivise insurers to provide super-long-term risk coverage.



3. Contribution to Building a Resilient Economy

In this panel, the panellists from the public and private sectors discussed how the insurance industry can contribute to building resilient economies.

Firstly, this panel discussed how the insurance industry can contribute to building economies that are resilient to natural disasters. Where the insurance sector does not provide a full level of protection against these risks, these risks are often transferred (implicitly) to the state, posing a risk to public finances and the broader economy which might result in a delay of financial recovery. The panel agreed that providing insurance for natural disasters is an important social infrastructure that supports the economy and society. The panel also suggested that more open data is needed to provide insurance coverage to infrastructure.

Secondly, the panel explored the possible steps to help foster robust growth and build more adaptable communities through quality infrastructure investment. These themes are highlighted as one of the key priorities for the Japanese G20 presidency. The panel shared views that there are some challenges for investors that limit their appetite in rate of return, risk mitigation toolbox such as social safety nets by governments and business climate including the regulatory landscape. Suggestions provided by the panellists for policymakers included mechanisms that incentivise investment in quality infrastructure, for example, increasing the rate of return, and creating well-designed regulations.

The panel stressed the importance of the insurance industry's active engagement. Leadership at regional and global levels should be demonstrated to boost efforts in building resilient economies.

4. International Insurance Regulatory Framework from the Perspective of Ageing and Building a Resilient Economy

In this panel, supervisors and private sector representatives discussed important topics relating to the international insurance regulatory framework from the perspective of the previous panel discussions, which are in a high degree of alignment with the IAIS next 5 year strategic plan.

Firstly, this panel discussed the issues of developing regulatory and supervisory frameworks to respond to ageing or to build a resilient economy. Panellists shared the view that regulations and supervision do not necessarily have to provide incentives, but should not build barriers to providing long-term products and investing in infrastructure. In terms of the IAIS' insurance capital standard (ICS), finding a "sweet spot", i.e. the right balance in pricing of risk in light of a variety of elements, such as financial stability, policyholder protection, and society role of insurance, is critically important. To solve this issue, dynamical adjustment and flexibility are key. Reflecting new information, considering the



national nature of insurance business, effectiveness of supervisory qualitative requirements, such as quality of risk management and governance were all mentioned as important challenges to solve.

The panel moved on to a discussion on utilising digital technology in the context of financial inclusion for the elderly. Panellists discussed whether current regulations are fully sufficient for the digital era, including because of the recent emergence of non-institution based models and the fact that more insurance products can now be bought without any involvement of intermediaries. Additionally, ethical issues, which could place elderly people in a vulnerable situation, were discussed, together with bias in data or black box characteristic on the use of AI and big data. Accountability and a company culture that treats customers fairly should form the over-arching principles that inform a response to these challenges. Supervisors should consider following a technology neutral and multidisciplinary based approach.

Closing remarks

At the closing remarks, Mr. Recaredo Arias, President of the Global Federation of Insurance Associations, congratulated the event by stressing the importance of having the Insurance Forum in Japan under the G20 umbrella while at the same time expressing his strong expectation towards future engagement with the G20 forum.

Conclusion (Key Messages)

- Ageing is a global phenomenon, and it is expected to accelerate in the coming decades. Insurance industries need to cope with ageing by utilising digital technology to enhance financial inclusion and to help the elderly people who usually tend to be excluded or left out from the evolution of FinTech and insurers' financial expertise.
- Responding to the ageing society, it is important to incentivise self-help actions through tax benefits or subsidy for insurance and pension, and to facilitate a regulatory and supervisory framework which does not disincentivise insurers to provide super-long-term risk coverage.
- It is recognised that there has been an increase in climate-related disasters in recent years and unfortunately, they affect the lives of many individuals. It is essential that the gap in insurance coverage and necessary funding are addressed and important that the insurance industry need to boost effort to tackle these challenges.
- To play an important role for these challenges, insurance regulation should create a balance between a variety of elements such as, financial stability, policyholder protection, protection of society. Finding the balance is not easy, but it is important to keep close relationships between regulators and insurers.