


## Navigating Longevity Risk in Asia

Overview of some relevant Asian markets, their markets, problems, challenges and opportunities

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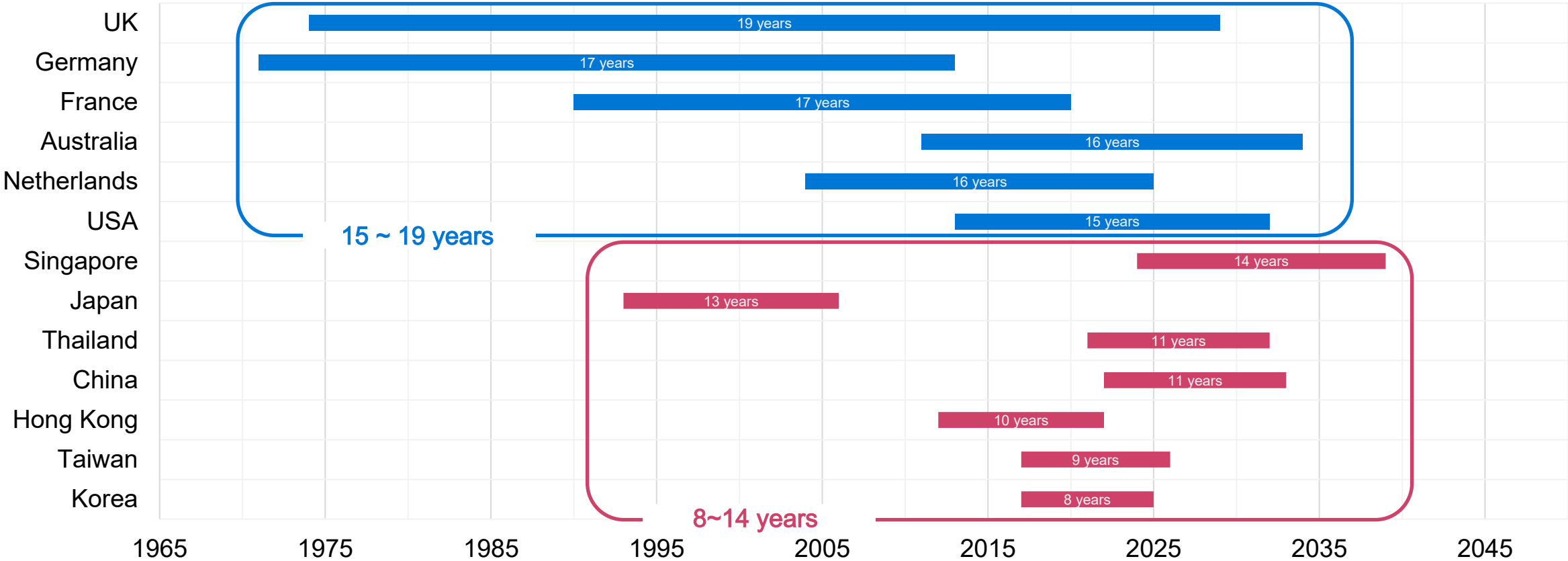
»» 30 years later, **one in five** people in **Asia-Pacific** will be **over 65 years** old and reaching close to **1.1 billion** people.

UN World Population Prospects 2024

# Aging Trend in Asia

## Much faster than any other places in the world

### Years to transform from Aged Society to Super-aged Society



1) Source: UN, World Population Prospects 2024  
 Aged society: more than 14% of population is at least 65 years old  
 Super-aged society: more than 21% of population is at least 65 years old

# Focus of the Day

We will explore Asian longevity markets together



Key characteristics

Growing Burden of Longevity Risk

Needs for Tailored Solutions for Changing Demographics

Complexities in Longevity Risk Management

Challenges and Opportunities

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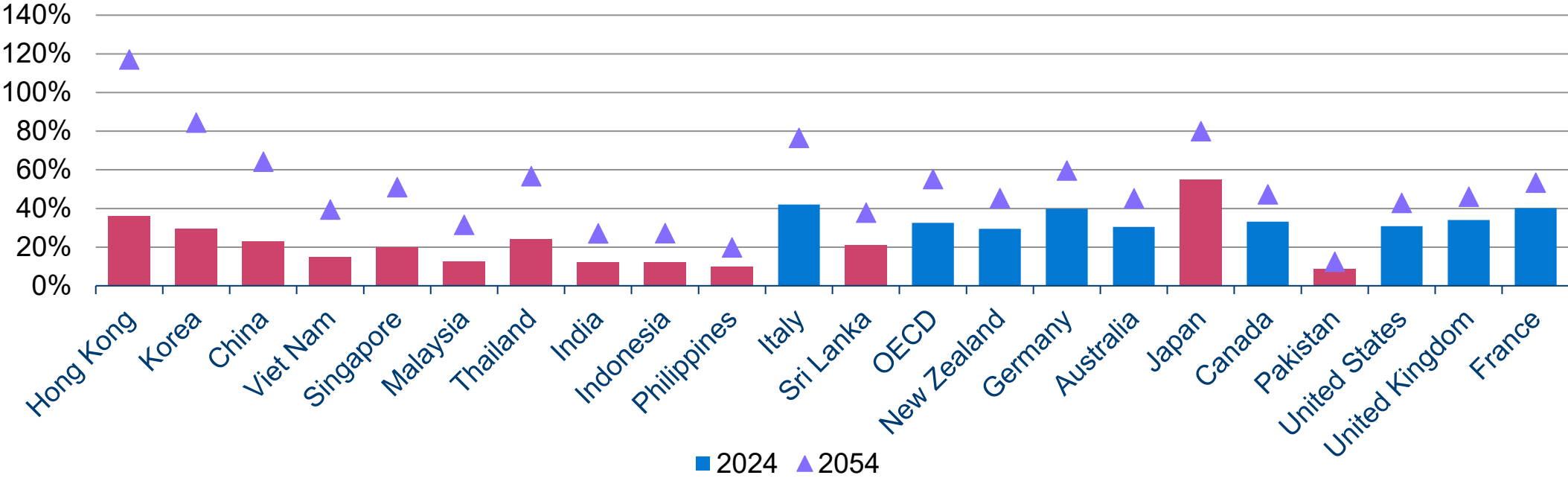
## Growing Burden of Longevity Risk



# Growing Burden of Longevity Risk on Public Systems

Burden of longevity risk will increase in a large number of Asian countries

Old-age to working -age ratio change between 2024 and 2054 (Ordered by % change)



Increasing  
Life Expectancy

» Burden on public  
pension and  
health systems «

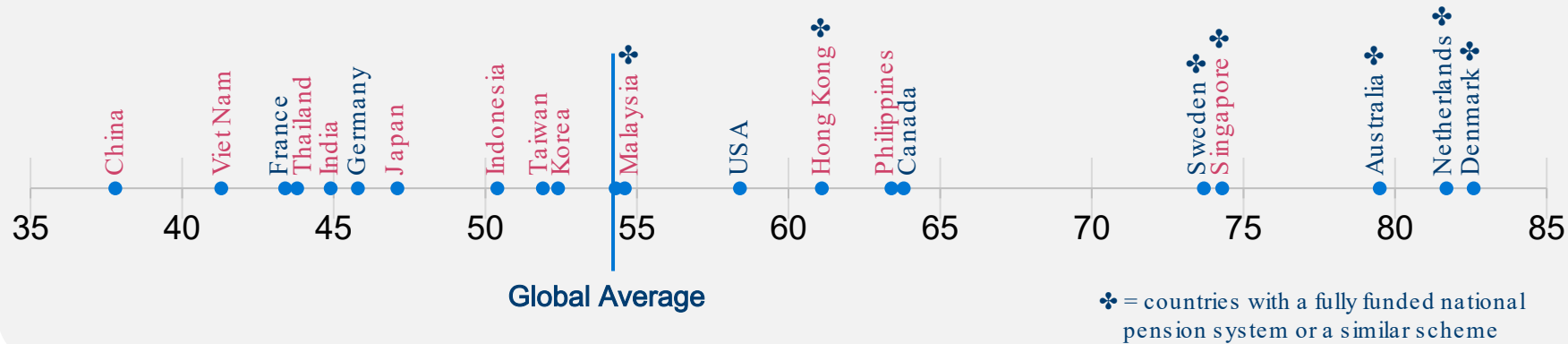
Decreasing  
Fertility Rate

1) Source: OECD Pensions at a Glance Asia/Pacific 2024

# Growing Burden of Longevity Risk on Public Systems

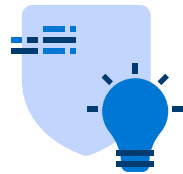
## Government's strong will to solve the problem

Mercer Global Pension Sustainability Index (Higher is better)



### Burden of longevity risk

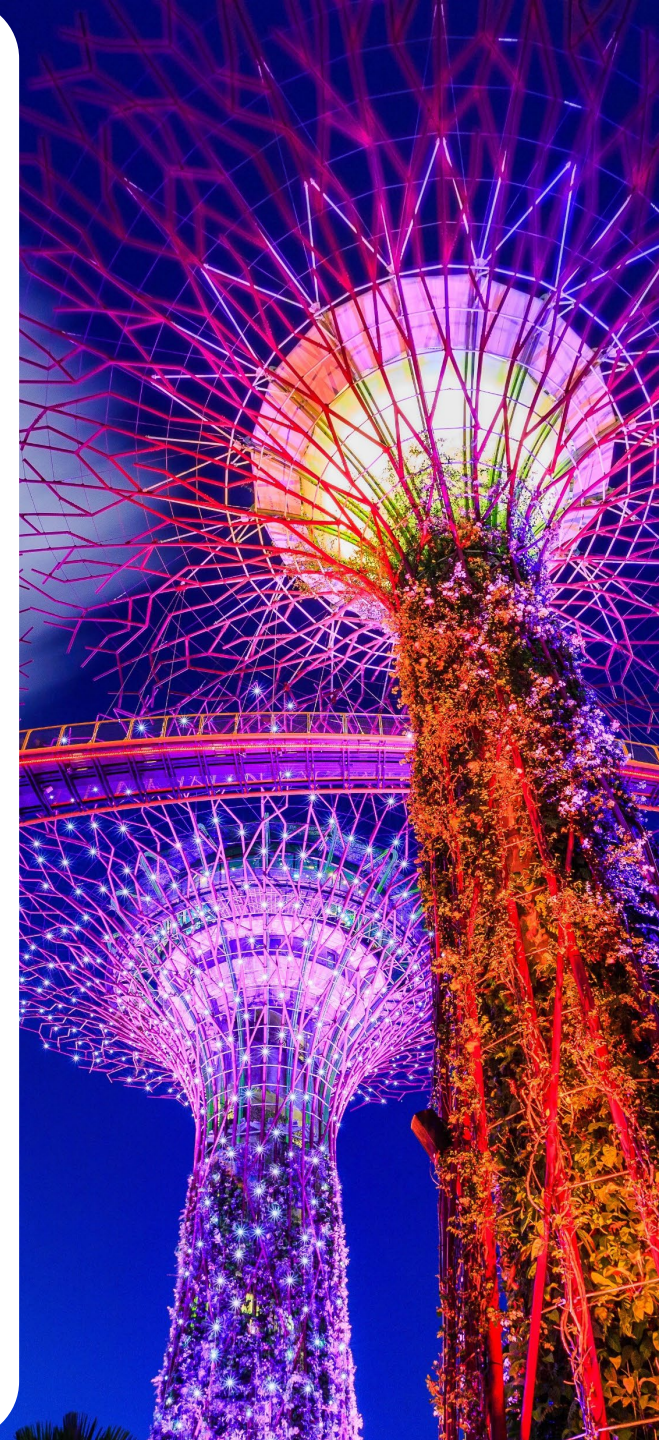
- Trend in demographic change
- Endangered long-term sustainability of public system
- Elderly poverty as societal issue



### Evolving pension landscape

1. Transition toward fully funded national pension models
2. Mandatory annuitization within occupational pension schemes
3. Expansion and promotion of private annuity coverage

1) Source: Mercer CFA Institute Global Pension Index 2024



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# Needs for Tailored Solutions for Changing Demographics



# Needs for Tailored Solutions for Changing Demographics

Limited offerings amid rising life expectancy and changing needs

Ageing  
Population

Deaths  
Outnumber  
Births



Changing  
Definition of  
Family



Increase of  
Age-related  
Diseases

Medical  
Advancements



## Protection gap

- Aging target customer base
- Changing needs in covered diseases and treatments
- Lack of tailor-made service for elderly policyholders

# Needs for Tailored Solutions for Changing Demographics

## Japan's insurance industry response to a super-aged society

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### Dementia coverage by various insurers

- Standalone or rider
- Full or simplified U/W
- Cover from mild to severe conditions
- Lump-sum or on-survival benefits
- Offer various prevention and after diagnosis care services for dementia patients

### Other responses by industry

- Japanese Tontine annuity product
- Foreign currency-dominated annuity with LTC benefit
- Life Insurance Association of Japan's program to improve financial literacy of young generation
- Assistance service for seniors living alone
- Direct payment service for Advanced Medical Care Insurance products
- Various health data related acts to promote data sharing between public and private sectors



# Needs for Tailored Solutions for Changing Demographics

## High concentration of housing in retirement portfolio



### Housing in total wealth



#### Europe

40% - 60%<sup>1)</sup>



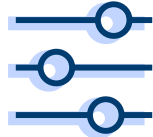
#### Asia

60% - 80%<sup>2)</sup>



#### Liquidation of housing asset

- Increasing needs of retirement solution to liquidate housing asset



#### Customizable benefit design

- Option to liquidate illiquid insurance benefit

1) ECB, The Household Finance and Consumption Survey, 2021 Wave  
2) Various sources including census and studies for selected countries

# Needs for Tailored Solutions for Changing Demographics

## Korea's efforts to secure retirement income via illiquid assets

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### “Home Pension” by HF Corporation

- Home reversion product
- Attractive annuity conversion rate
- Restriction on the maximum property value to ensure it supports “asset rich, cash poor” only
- Upon death,
  - If annuities paid < property value, the difference is paid to heir
  - If annuities paid > property value, the difference is covered by HF

### Annuity conversion rider

- Mandatory rider for whole life contracts
- Reserve of contract can be converted into insurer's then annuity upon request
- Available for recently developed products

### Liquidation of death benefit initiative

- Up to 90% of death benefit amount can be converted into annuity certain
- Annuity is deducted from reserve and remaining death benefit % is adjusted proportionally
- Available for all whole life contracts priced with fixed interest rate





# Complexities in Longevity Risk Management

Asia can be described in a thousand different ways

The **largest** continent by both land area and population includes **thousands** of ethnics and languages



Islam, Hinduism, Buddhism, Christianity, Sikhism, Confucianism, local religions, and more



Population Age structure

LE Urbanization

What shaped diversity?  
**Ancient** roots,  
**modern** history incl.  
 Cold War conflict and  
 recent **economic**  
 reforms

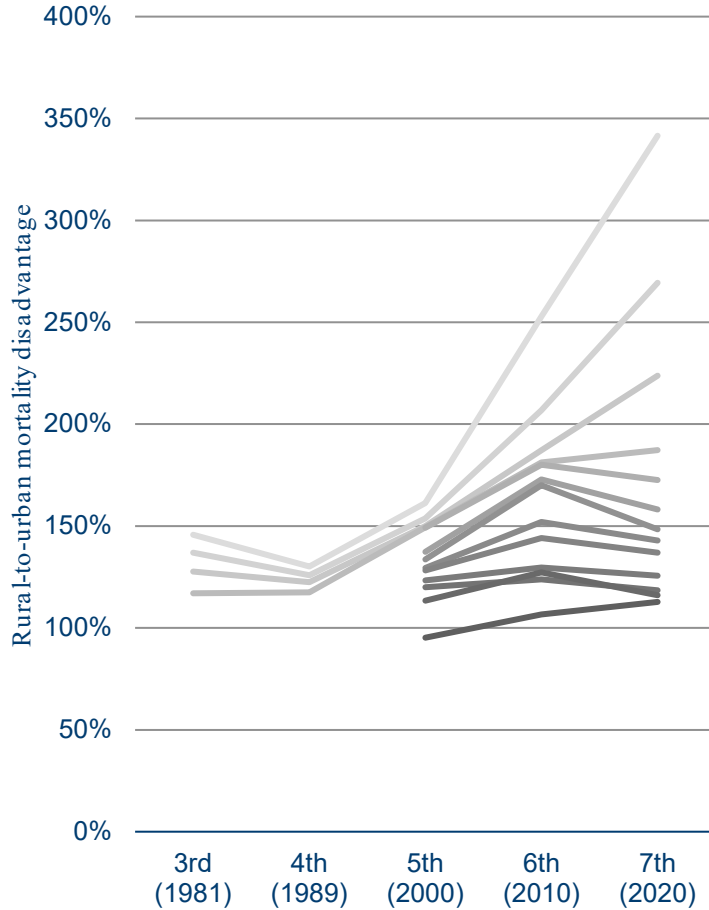
Implication for risk management

- No standardized approach to risk management
- Complex and uneven demographic trends across regions, or even in a country
- Challenging trend analysis amid rapid change
- Heightened uncertainty in long-term assumptions

# Complexities in Longevity Risk Management

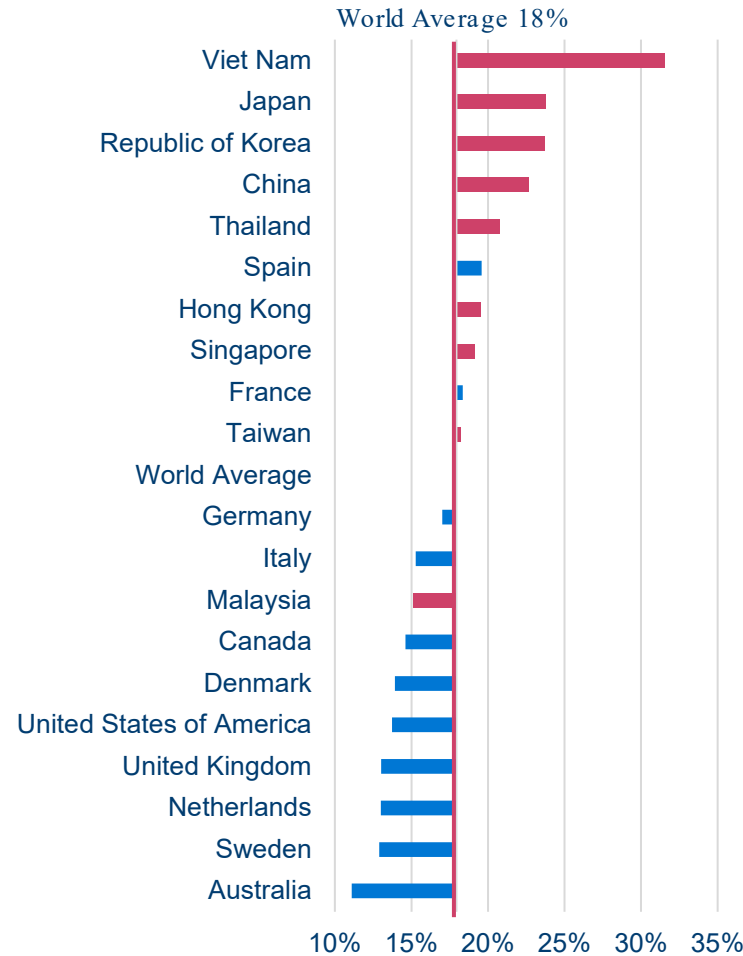
## Observation in longevity risk management

### Rural-to-urban mortality gap

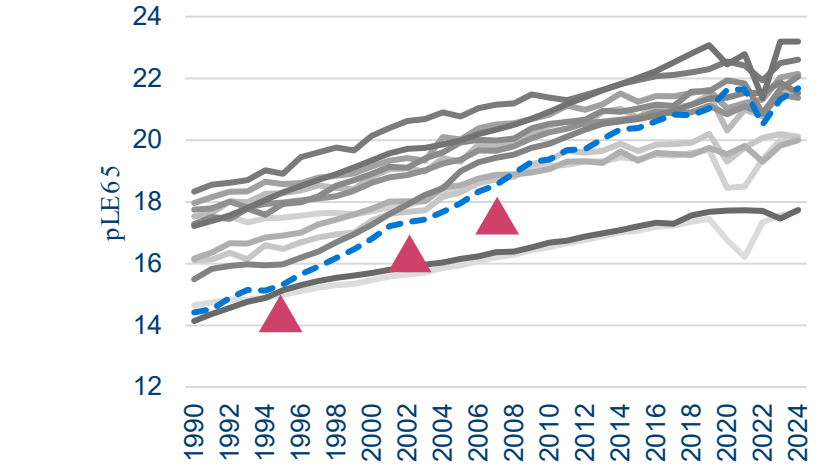



1) Source: Census, UN WPP 2024

### Relative pLE65 female advantage



### Comparison of pLE65



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**Observation so far...**

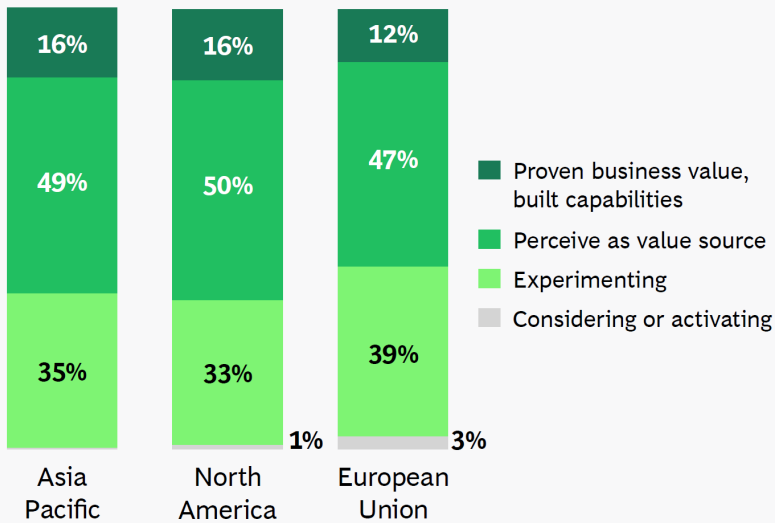
- Socio-economic, environmental and policy trends are critical
- Global assumption or unisex rate may mislead
- External factors can boost life expectancy unexpectedly

# Complexities in Longevity Risk Management

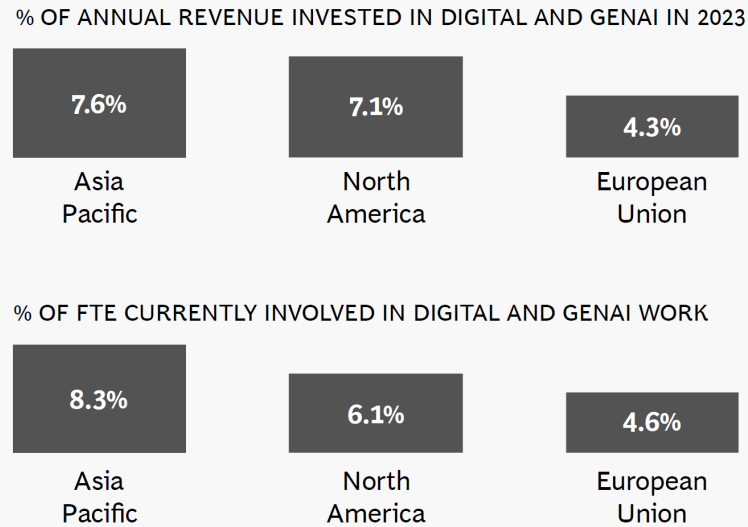
Asia is leading in the race to adopt AI-evolving ways of conducting longevity business

## APAC surges past Europe and challenges North American leadership through improved GenAI investment

APAC is bridging the GenAI gap with North America...



...and has invested heavily to enhance resources and talents



### AI-Assisted Risk Management

- Enhancing sales experience with Gen AI
- Providing smarter insights and deeper analytics on data
- Proactive market intelligence and AI-driven product design recommendations
- Modernized existence check

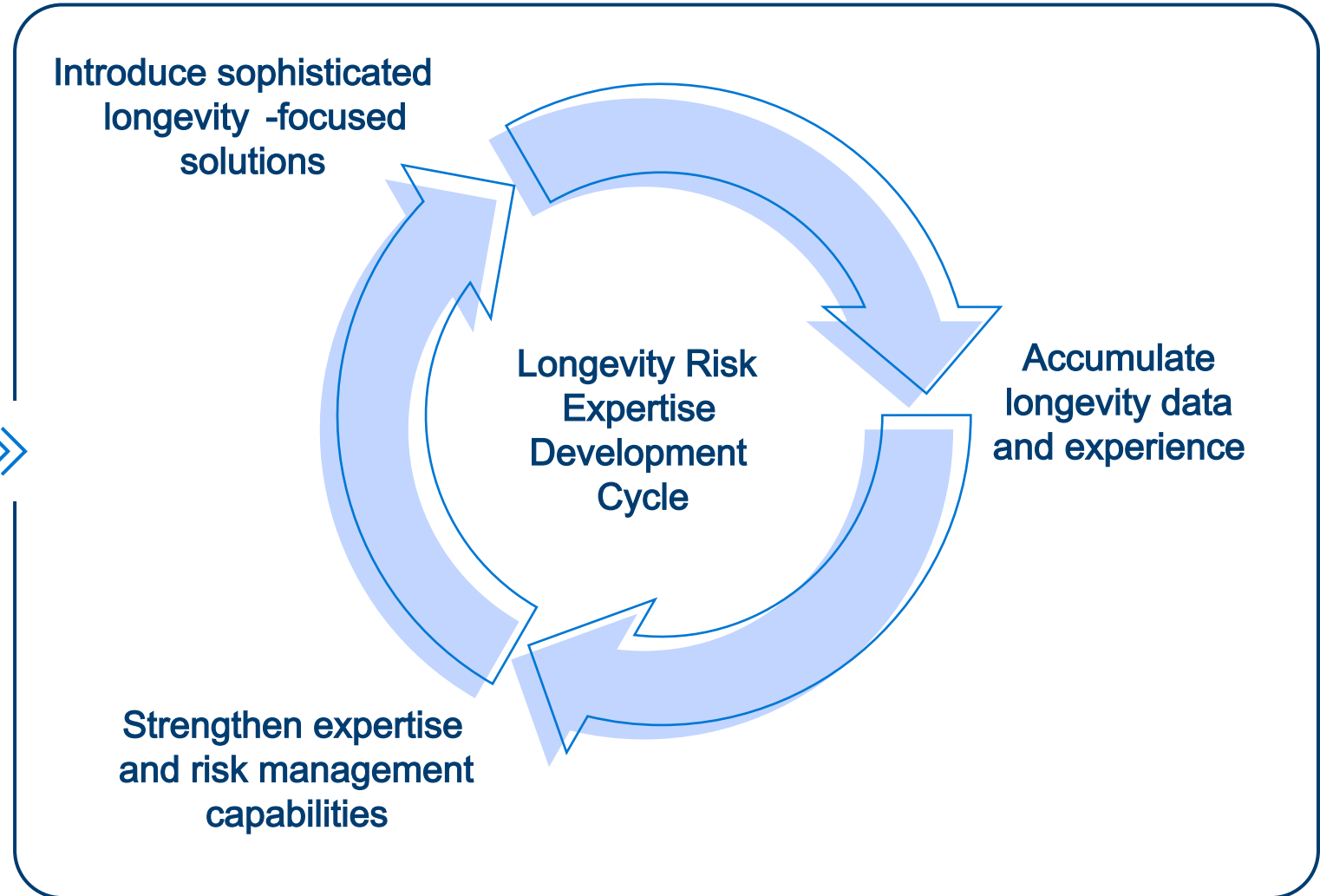
1) Sources: BCG APAC GenAI Survey 2024

# Complexities in Longevity Risk Management

Cycle to build longevity expertise and sophisticated retirement solutions

## Popular retirement solutions

- Inheritance focused
  - Return of premium
- Guarantee of initial capital
  - Annuity certain up to LE
  - Surrender option
- Extreme benefit designs
  - Endowment at age 100





Asia will face **significant challenges** in managing **longevity risk** due to its unique demographic trends.

As each country experiences different problems, **tailor-made solutions** are needed for each country.

**Tripartite collaboration** among the insurance industry, policymakers, and academics is key to addressing this issue successfully.

## Contact information

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**Let's stay in touch.**

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Managing Director of Longevity



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