

Partnering for smart pension reform



Stephen Frank

President of the Global Federation of Insurance Associations; President and CEO of the Canadian Life and Health Insurance Association

Retirement security is becoming one of the defining public policy challenges of our time. Populations are ageing, people are living longer, and traditional sources of retirement income are under growing pressure. For insurers, this is not an abstract demographic trend. It goes to the heart of our industry's purpose: helping people manage risk, plan with confidence and turning lifetime savings into lifetime income.

The scale of the challenge is significant. The Global Federation of Insurance Associations (GFIA) estimates that the annual global pension protection gap is roughly US\$1 trillion, larger than the protection gaps identified for cyber risk, health and natural catastrophes. That number is striking, but its real significance is human. It represents people who will have to delay retirement due to inadequate savings and governments that will struggle to fill the gaps with public pension and income-support systems that are already under strain.

The response should not be to view retirement income as solely a government problem or a matter of individual responsibility. Sustainable pension reform requires a balanced system in which public programmes provide a foundation, workplace savings are expanded, and individual savings are supported by clear incentives and practical advice. Each pillar matters. The policy objective should be to make it easier for more people to save enough to achieve their individual retirement goals and to convert assets into reliable retirement income for life.

GFIA | A global federation

Established in October 2012, GFIA now comprises 42 member associations and three observer associations. It represents the interests of insurers and reinsurers in 68 countries that account for more than US\$4trn (€3.8trn) of insurance premiums, or 89% of the global total. GFIA's secretariat is headquartered at Insurance Europe.



To get there, several reforms deserve priority.

First, automatic enrolment and automatic escalation can help overcome inertia, particularly for younger workers and those without strong workplace plans. Evidence is that if the system makes saving the easy choice, participation rises. That does not remove personal choice; it simply recognises that design can help people act in their own long-term interest.

Second, policy should support broader access to retirement savings vehicles for workers in small businesses, the self-employed and those in non-traditional employment. Pooled plans, simplified administration and modern digital enrolment can reduce barriers for employers while giving workers a more realistic path to long-term savings.

Third, reform must focus not only on accumulation, but also on decumulation. Individuals are increasingly being asked to manage longevity, market and inflation risk on their own. Insurance products, including annuities and other lifetime income solutions, have an important role to play by converting savings into predictable income for life. Public policy should encourage product innovation, clear disclosure and advice models that help consumers understand how guaranteed income can fit within a broader retirement plan.

Fourth, tax and regulatory settings should reinforce long-term behaviour. Retirement savings policies work best when they are stable, understandable and designed around the realities of how people make

decisions. Frequent rule changes, overly complex limits or uneven treatment of comparable products can undermine confidence. Public policy should align incentives to broaden coverage, increase savings rates and incentivise prudent risk management.

Finally, the insurance industry cannot close the pension gap alone. Governments set the policy framework, employers play a critical role in plan access, and individuals ultimately make decisions about saving and retirement. But insurers bring capital, risk expertise, distribution, data, claims and customer experience to the table. We understand longevity risk. We understand guarantees. And we have a direct interest in building systems that are financially sustainable and trusted by consumers.

Helping individuals around the world retire with dignity is one of the defining policy challenges facing our industry. The debate on how best to do that should move beyond narrow arguments about the role of the public versus private. The best path forward will leverage the best of each, to ensure stronger public foundations, expand workplace savings, support individual saving through clear incentives and advice, and help people convert assets into reliable income throughout retirement.

Stephen Frank is President and CEO of the CLHIA, bringing over 20 years of public and private sector experience to the role. He advocates on behalf of Canada's life and health insurance sector for policies and perspectives that support a sound and successful insurance system for the benefit of all Canadians. As President of GFIA, Stephen chairs the Executive Committee and General Assemblies. In this role, he is spokesperson for the global insurance industry to national governments, international regulators and standard setters.

