A overview of the APFF Work Plan Related to Retirement and Long-Term Investments

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APFF Insurance and Retirement Income WS

**CAP**

- Retirement and Long-Term Investment Working Group
  [led by Masaaki Nagamura]

- Capital Market and Long-Term Investments
  [led by Brian Murray]

- Regulation and Accounting
  [led by Makoto Okubo]

**WG**

- Disaster risk financing and Insurance Working Group
  [Sherpa Douglas Barnert]

- Micro-Insurance
  [led by Michael McCord]

- Infrastructure and Long-Term Investment Working Group
  [Sherpa Makoto Okubo / Vice Sherpa Paul F. Lynch]

**SS**

- Retirement Savings and Lifetime Retirement Income
  [led by Vanessa Wang]

**CG**

- Coordination Group
  [led by JC Parrenas, Anthony Nightingale, Sherpas]

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Roadmap for the Sustainable Development

**CONSUMERS**

- Liabilities

**INSURERS AND PENSION FUNDS**

- ALM

- Assets

- Infrastructure Projects

**GOVERNMENT**

- GOVERNMENT

- Regulation Accounting

- Long Term Investments

- Long Term Returns

- Capital Market

- Disaster Risk Financing

**Retirement Income & Longevity Solutions**

- Addressing the Aging Tsunami
- Promote Sustainable Economic Development & Resilient Infrastructure
- Enhance Disaster Risk Financing
- Enhance Financial Inclusion
- Reduce Fiscal Liabilities
- Enhance Sovereign Rating
• "Responding to the need of aging by ensuring adequate retirement savings and lifetime retirement income
  – After some analysis on retirement schemes in the region, the group drafted consolidated high-level recommendations
  – Participating in regional conferences/meetings to discuss retirement income/longevity issues, including the APFF Special Sessions on Longevity in Melbourne, August 2015
• The group intends to continue research and develop further policy recommendations to facilitate:
  – retirement saving demand, as well as
  – lifetime retirement income product supply
• The group intends to continue to collaborate with experts, and other regional and global initiatives
### Progress – Regulation/Accounting

- “Dialogue series on regulation and accounting issues impacting the long-term business of the insurance industry in Asia Pacific economies and longevity solutions
  - ABAC letter was submitted to the IAIS on 30 January on the global risk-based International Capital Standards (ICS)
  - Participating in regional conferences/meetings to discuss regulatory/accounting issues (APEC/APFF, IAIS, OECD, ASSAL, ASEAN, NAIC, etc.)

- The group intends to continue a dialogue with regulators/supervisors/accounting standard setters to discuss relevant issues, and to coordinate with other stakeholders
  - ABAC letter was submitted to the IASB on 12 August on the Conceptual Framework for Financial Reporting
  - Continuous dialogue with IASB on the IFRS4 proposals
    - IFRS4 Phase I/IFRS9 (overlay approach/deferral approach)
    - IFRS4 Phase II (unit of account, cliff effect, transition)

### Regulatory and Accounting Issues

#### Regulatory issues

- **Bank-centric regulations**
  - Insurers play an important role as long-term investors and in the social security system

- **Short-term oriented economic regime**
  - Economic-based regime should have a long-term vision
  - Otherwise, unintended consequence may occur on long-term products/investments

- **“One-size-fits-all” models**
  - Different business models by economies

#### Accounting issues

- **Volatility in the balance sheet and P/L**
  - Assets-liabilities interaction

- **Other issues for traditional long-duration contracts**
  - (i.e. complexity, consistency, transition, presentation, business model)
Progress – Long-term investments/Capital market

• “Collaboration with APEC Finance Ministers’ Process in promoting long-term investment, including infrastructure
  – Discussing an overview of restrictions and issues that could impede their ability to fund long-term investment.
  – Considering examples of infrastructure projects in a country and then examine weaknesses and improvements to increase the chances of attracting private institutional investor financing.
    • Construction Period Guarantee (cf CGIF)
    • Tentative target economies: Vietnam, Indonesia and Chinese Taipei)
  – Participating in conferences/meetings to discuss long-term investment/capital market issues
    • Comprehensive calendar of conferences/meetings for 2016

• The group intends to continue to collaborate with other APFF work streams, PPP, and other regional and global initiatives (i.e. ADB, OECD)

Market and operational Issues

Market issues
■ Underdeveloped long-term capital market
■ Small number of bankable projects available
■ Lack of infrastructure financial instruments
■ Lack of market instruments (i.e. derivative, hedging tools) to manage portfolio risk
■ Constraints on long-term insurance business (both demand side and supply side)

Operational issues
■ Weakness in credit rating
■ Lack of experience
■ Uncertainty in legal framework (i.e. creditors rights, resolution)
2015 seminars/conferences relevant to the WG

- APFF Roundtable on regulatory issues, Hong Kong, 27 January
- OECD High-level Panel on Institutional Investors and Long-term Investment, 13 March
- ASSAL Annual Conference, San José, 13-16 April
- APFF Roundtable on Expanding Opportunities for Long-term Investment in Asian Infrastructure, Toronto, 15 May
- UN Insurance Sector Summit / Global Insurance Forum, New York, 17 June
- APEC Workshop on Infrastructure Financing and Capital Market Development, Iloilo City, 23-24 July
- APFF Special Sessions on longevity and ARFP, and APFF Symposium, Melbourne, 10-11 August
- NAIC Asia Pacific Insurance Forum, Los Angeles, 7-9 October
- FIDES Annual Conference, Santiago de Chile, 25-28 October
- ASEAN Insurance Council Meeting, Phnom Penh, 27-29 October
- Pacific Insurance Conference, Manila, 29 November – 2 December

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