

APFF Caucus
Meeting I
PAPER 3-A-2a

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

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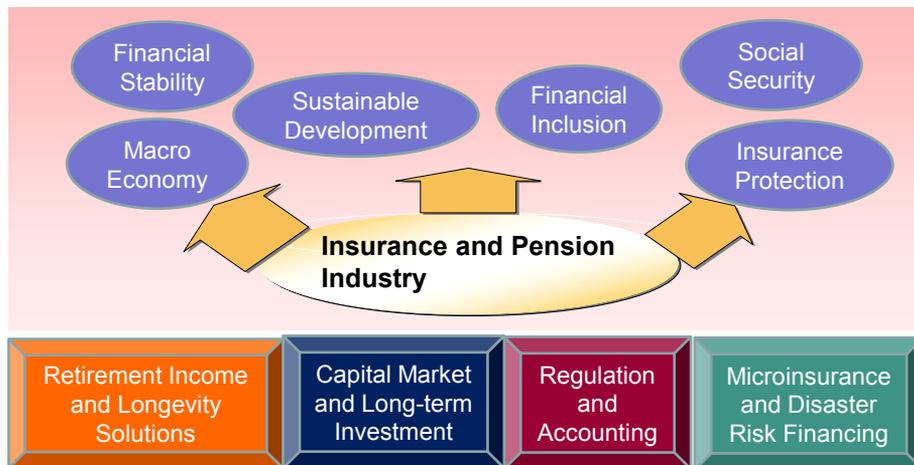
Sherpa, APFF Insurance and Retirement Income Work Stream

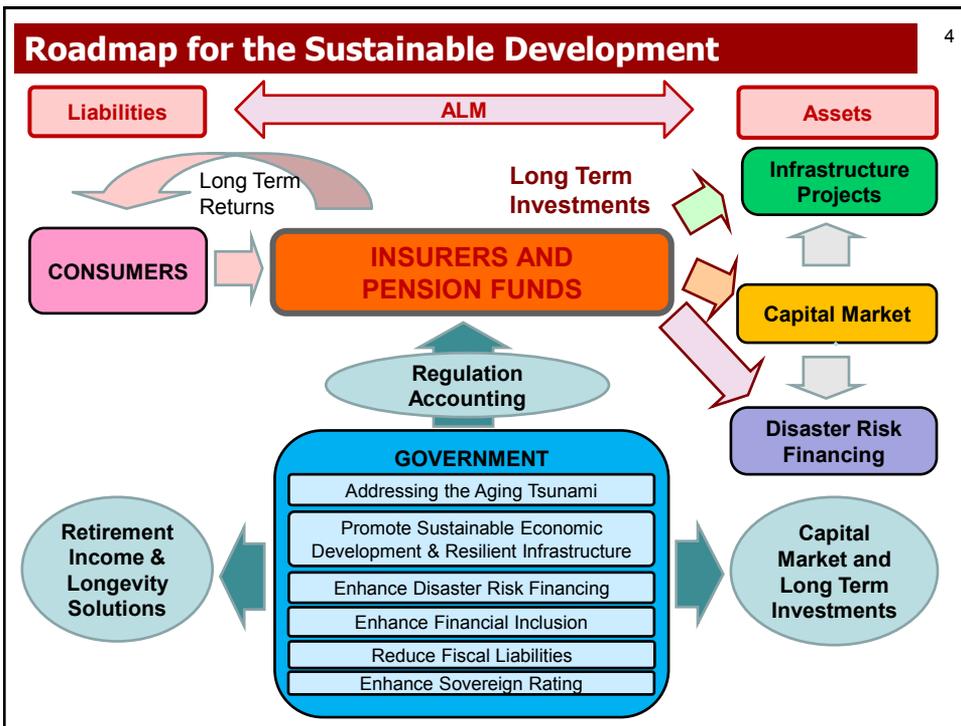
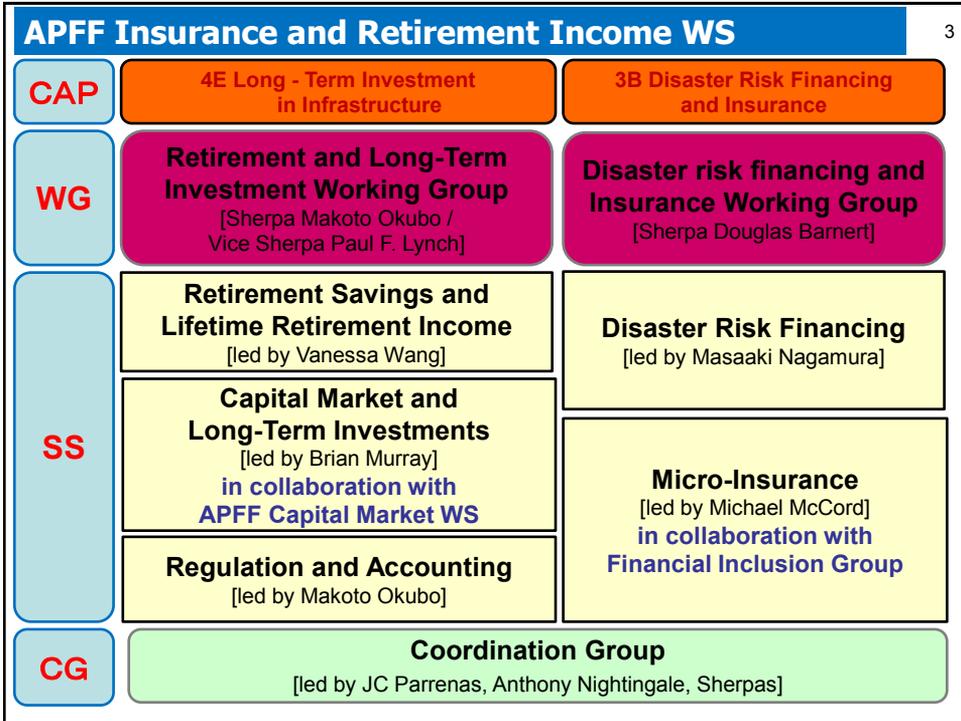
Sherpa, APFF Retirement Income and Long-Term Investments Working Group

San Francisco, 24-27 February 2016

APFF Insurance and Retirement Income Work Stream

- A holistic framework to support the long-term roles of insurance and pension industry in the Asia-Pacific





Progress - Retirement Income/Longevity Solutions

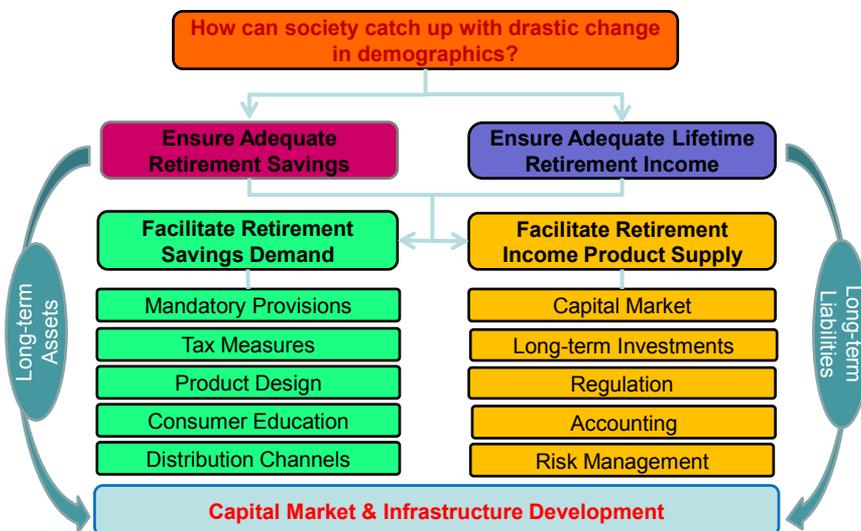
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- “Responding to the need of aging by ensuring adequate retirement savings and lifetime retirement income
 - After some analysis on retirement schemes in the region, the group drafted consolidated high-level recommendations
 - Participating in regional 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

Retirement Income and Longevity Solutions

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- Responding to the needs of aging, while promoting capital market and infrastructure development



Progress – Regulation/Accounting

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- “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

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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

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- “**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

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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)

*Collaboration with
Capital market/FMI/PPP
work is the key*

2015 seminars/conferences relevant to the WG

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- 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

Asia Pacific Financial Forum (APFF) Retirement and Long-Term Investment Working Group

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The screenshot displays the MackGlobe.com website interface. At the top, there is a search bar and navigation tabs for 'Home', 'Insurance/Finance', 'Language/Help', 'Travel/Photography', and 'Tourism/Investment'. The main content area features a large image of a sunset over a body of water. Below the image, there are several news articles. The first article is titled 'APEC Finance Ministers officially endorsed the APFF interim report, Beijing, October 22, 2014'. The second article is titled 'Mack participated in the ASEAN Insurance Summit in Singapore, October 1, 2014'. On the right side of the page, there are sections for 'Members Only' (listing APFF Insurance and Retirement Income Institutes and ABAC PIIG) and 'Resources' (listing the National Center for APEC, The 2014 Asia Pacific Financial Forum, and ABAC APFF Business Advisory Council). There is also a 'Links' section at the bottom right.

**For more details on the APFF, visit mackglobe.com
or email Makoto Okubo (m-okubo@nipponlifeglobal.com)**