

IIS Seminar: Demographics, Financial Crisis Produce Profound Changes in Demand for US Life Insurers

Defending the interests of U.S. life insurers has become tied to international efforts to advocate on the part of insurers in response to regulatory changes and harmonization efforts, according to Dirk Kempthorne, president and chief executive of the American Council of Life Insurers.

In an interview at the International Insurance Society's 47th annual seminar in Toronto, Kempthorne said "there is a collaborative atmosphere" among both insurance groups and regulators, as both sides of the coin continue to coordinate efforts.

Kempthorne, who delivered a speech at the seminar on the role of life insurers in society, said "the sheer size of the life industry" makes it a major source of investment capital that makes many things -- such as infrastructure projects -- possible.

He added it is important for U.S. life insurers that international markets remain open to international competition for life insurers to be able to deliver their financial clout.

Kempthorne said the global financial crisis starting in 2008 has shifted the landscape for life insurers, particularly in product mix. In the United States, he noted that younger people, in their 20s and 30s, saw what happened to the investments of retirees and began to think more seriously about their own financial planning.

"Younger people are not sure now that they will have Social Security or Medicare -- those are on a short clock," he said. Retirement products such as annuities and long-term care insurance are more in demand as younger consumers seek to protect themselves from future financial shocks.

"Some companies are doing well with products targeting younger buyers," said Kempthorne, who added that social networking and electronic transactions are proving a valuable tool for life insurers.

Brad Smith, the ACLI's chief international officer, added that life insurers are taking the lessons learned from shifting markets in aging developed countries like the United States and applying them to developing markets, where populations are younger and life products are just beginning to make inroads.

"Product mix changes over time as populations age," said Smith. "We're living through that life cycle now. Insurers can take their U.S. experience and apply it to other countries with younger populations." (Published: BestWire - 06/22/2011).

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