DIRK KEMPTHORNE
President & Chief Executive Officer

Governor Dirk Kempthorne
President & CEO, American Council of Life Insurers (ACLI)
Chairman, Global Federation of Insurance Association (GFIA)
Federacion Interamericana de Empresas de Seguros (FIDES)
Santiago, Chile
October 28, 2015

Thank you.

Will retirement be a luxury? Before I answer that question, let me ask: is food a luxury? Is clothing a luxury? Is shelter? The answer to each question is an unequivocal no.

Nor can retirement become a luxury. As Chairman of the Global Federation of Insurance Associations and President and CEO of the American Council of Life Insurers, we work everyday so that retirement is not a luxury. FIDES is a fabulous partner in this effort.

But all of us must recognize that people today are living longer. Populations are aging. And many governments are feeling the heavy stresses of supporting their elderly populations.

Take Japan for example. It is aging. For every baby born in Japan in 2050, somebody there will turn 100 years old. At the same time, Japan will have only one worker for every retiree.

So, what is the government of Japan doing? One initiative: For decades the Japanese government has given every citizen reaching the age of 100 a small, shallow bowl made of silver, intended for a ceremonial sip of sake.

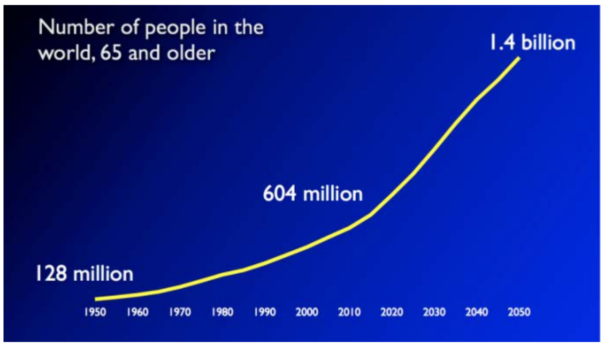
To quote the *Wall Street Journal*, "But in a sign of the nation's tarnished finances, 100-year-olds next year may find their reward alloyed."

"Japan's health ministry … has decided to halve its 2016 budget for it. To adjust, the government may begin making the bowls out of a mix of copper, nickel and zinc—with a silver finish."

I'm sure the new bowl will still be pretty. But, what is not pretty are outdated government retirement systems making promises they may not keep. The demographic trends of people living longer than ever before, and an insufficient number of new workers joining the workforce, present a harsh reality.

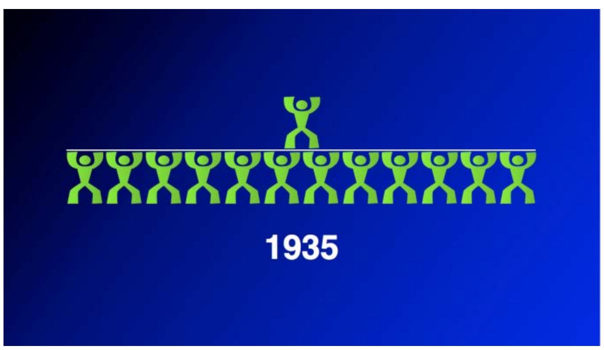
New solutions are required … solutions that require more than ever a partnership between the private and public sectors … to help ensure that a dignified retirement is achievable for everyone.

We started with trends in Japan. Let's look at other demographic trends.



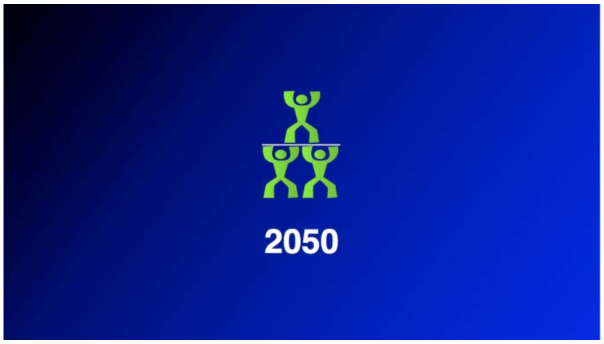
This first chart shows the steady increase in the number of people over the age of 65 worldwide. 128 million in 1950 to 604 million today with a projected 1.4 billion in 2050.

Data even more relevant to our topic is worker-to-retiree ratios. This ratio is important because workers pay taxes to governments that support retiree programs. At the same time, these workers are supporting their children.



In the United States, when Social Security was put in place in 1935, there were 12 working-age people for every retiree.

Today, the worker-to-retiree ratio is 3-to-1.



And in 2050, it will be a 2-to-1 ratio.

In Chile in 2030, the ratio will be 3-to-1.
In Colombia, the ratio will be 5-to-1.
In Mexico, 5-to-1.
In Brazil, 5-to-1.
In China 4-to-1.
In the U.K., 3-to-1.
In Turkey, 3-to-1.
In Germany, 2-to-1.
In Japan, 2-to-1.

Number of Workers per Retiree

	2030
Chile	3-1
Colombia	5-1
Mexico	5-1
Brazil	5-1
China	4-1
U.K.	3-1
Turkey	3-1
Germany	2-1
Japan	2-1

This ratio gets even worse by 2050, when the ratio for many countries drops to 2-to-1.

In Chile, 2-to-1.
In Colombia, 3-to-1.
In Mexico, 3-to-1.
In Brazil, 3-to-1.
In China, 2-to-1.
In the U.K, 2-to-1.
In Turkey, 2-to-1.
In Germany, 2-to-1.

And we already know that in Japan, it will be 1-to-1.


Number of Workers per Retiree

	2030	2050
Chile	3-1	2-1
Colombia	5-1	3-1
Mexico	5-1	3-1
Brazil	5-1	3-1
China	4-1	2-1
U.K.	3-1	2-1
Turkey	3-1	2-1
Germany	2-1	2-1
Japan	2-1	1-1

Taxpayers around the world will not be financially able to support the avalanche of retirees joining government retirement systems. Can the world economy and taxes paid to governments grow enough to provide retirement security?

In the past decade, the world economy grew annually about 2.5 percent. At that pace, it won't be enough to sustain governmental pension systems.

Another option is for future workers to be incredibly productive, doing single-handedly the work of two, three or four people. Perhaps they can spur world economic growth to match the 5% annual growth of the 1960s. Is that why energy drinks like Red Bull, Monster and Burn are so popular in Latin America? Analysts say energy drink sales in Latin America will triple in the next few years.

Another option would involve cutting back in retirement. You may have to sell your home. Maybe you have to stop shopping …. You can no longer be a fashionista. And you cut back on travel, gift giving and other similar expenses.

Still another option is to never stop working.

When I think of that option … I think of Ancient Egypt and the workers building the pyramids. Their only value was in their ability to lift the heavy stones and create those marvelous structures in the desert. When you could no longer work, that was it. You worked until you died. I am not an Egyptologist, but I don't think there was much retirement security in those days.

I would offer an alternative: become more self-reliant, and less government-reliant. I don't think any of us want to grow old and find ourselves struggling financially in retirement and saying: I really thought things were going to work out in my retirement.

Increased personal savings and products life insurers offer can reduce reliance on government.

Some governments recognize the value of increased savings. Chile realized in the early 1980s that its government could not fund retirement alone and that the best retirement financing policy is where workers start saving for retirement as early as possible. Chile implemented a mandatory savings program.

This system still works today and is financially sustainable. However, in order for it to continue to work, it is necessary for people to contribute enough savings. This should be the focus of any pension system, and any efforts to reform or improve the system should move ahead in this direction, not in the direction of potentially affecting its sustainability. Let's be careful with proposing reforms that affect the sustainability of the system.

A 2013 study by a Chilean consultant found that many men who contributed 10 percent of their salaries for at least 40 years average a retirement income of 87 percent of their working salaries.

In voluntary systems that encourage people to save through tax incentives, similar results are possible. *USA Today* calculated that a worker investing in a typical portfolio of stocks and bonds in their career would accumulate more than one million dollars.

Under either arrangement, more funds are available for retirement.

Dignity for all in retirement … promoted through smart, long-term policies … should be a goal of governments around the world. This is why ACLI and GFIA work hard to make sure international capital standards are not rushed but are written correctly. They need to be sequenced properly, with domestic regulators taking the lead and coordinating with regulators world wide. That will help produce results we all desire. No one will benefit from rules that undermine our mission of helping people plan and save for the future.

With sound regulation, the life insurance industry can help people achieve dignity in retirement. Dignity is never considered a luxury. Everyone should have it. We have financial vehicles for long-term savings to help people have financial peace of mind and provide for their own dignified retirement.

Life insurance policies provide peace of mind and financial security for millions of families. In the U.S. alone, people buy 74,000 life insurance policies with a face amount of $7.5 billion each day.

Life insurers offer annuities, the only product offering guaranteed lifetime income. In the U.S., each day some 10,000 annuities are issued.

Here in Latin America, the potential for insurance industry products is enormous. The middle class is growing. Life insurance premiums have tripled in the last 10 years. The region generates for all lines of insurance more than U.S. $160 billion in annual premiums. That is more than Central and Eastern Europe, and the Middle East and Central Asia combined. Yet, life insurance has yet to significantly penetrate the Latin American market. There is an enormous opportunity for growth in Latin America. A growing life insurance industry means more retirement options for citizens.

Latin America led the world in introducing individual retirement accounts intended to complement or replace government-sponsored, pay-as-you-go systems.

So, there is history here. But, greater than the history is the future for insurers to help people here, to help people on the Iberian Peninsula and around the globe. Life insurers already offer solutions that benefit millions of people. They provide protection and retirement income guarantees. They provide savings products that help people accumulate assets for retirement.

This industry offers a path for people to fund their own retirements and preserve their own dignity as they age. It’s called self-reliance.

This also allows governments to focus their limited resources on helping the most vulnerable. Retirement cannot be only available to the rich in any democracy. Our industry can help countries avoid a have and have-not retirement system.

Is food, clothing, shelter a luxury? No. Is retirement a luxury? All of us must work together to be sure the answer to the question is an unequivocal no.