

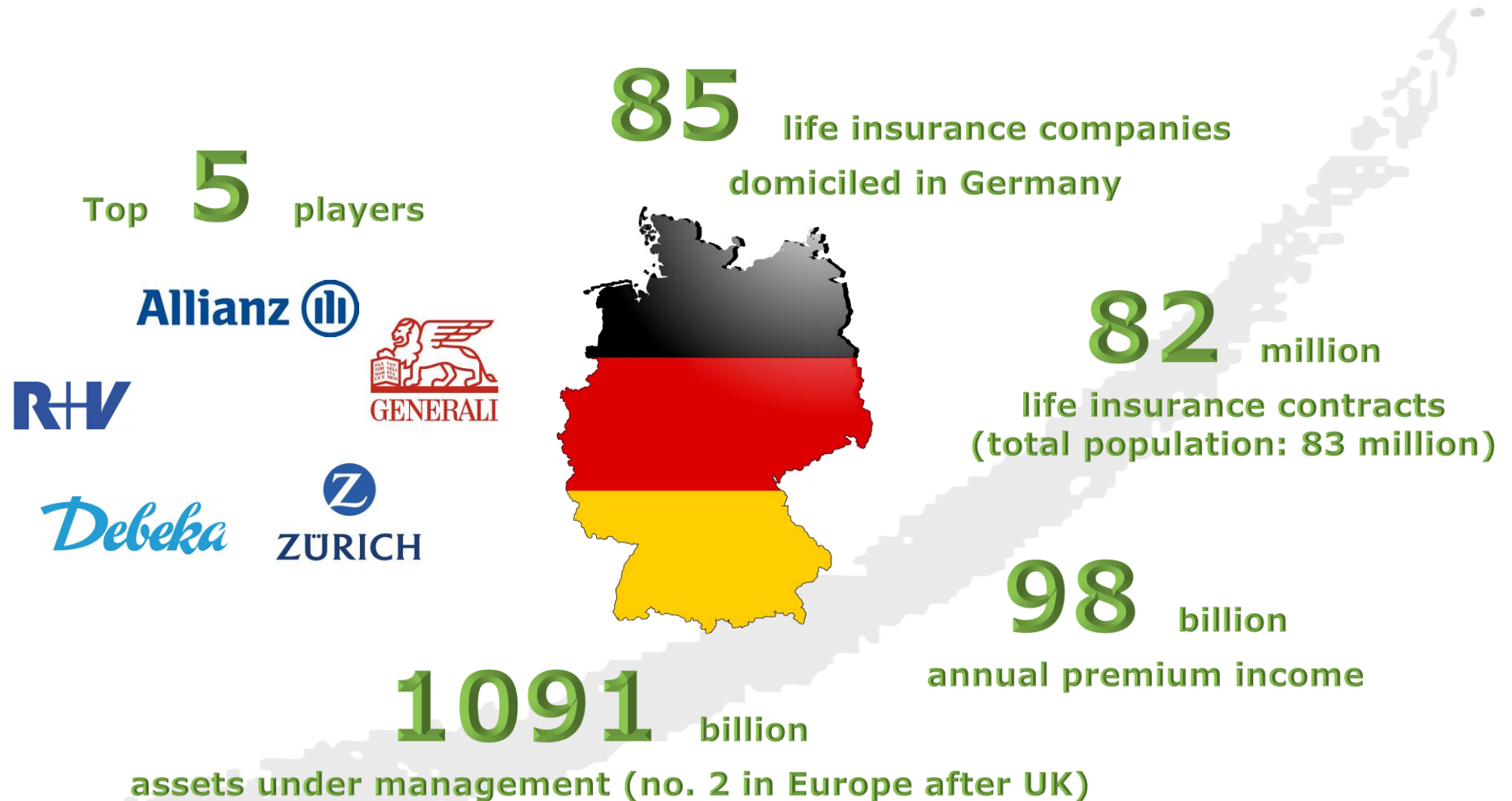
Opportunities in the German Life Insurance Market

Some notes

- Ulm, November 2021
- Prof. Dr Jochen Ruß, Dr. Andreas Seyboth




German Life Insurance Market



Sources: BaFin (Ausgewählte Kennzahlen der Lebensversicherungsunternehmen 2019), GDV (Die deutsche Lebensversicherung in Zahlen 2021), OECD (<https://doi.org/10.1787/data-00610-en>, accessed on 16/09/2021); and [https://de.statista.com/themen/27/bevoelkerung/as of 7/27/2021](https://de.statista.com/themen/27/bevoelkerung/as%20of%207/27/2021)

Opportunities in the German Life Insurance Market

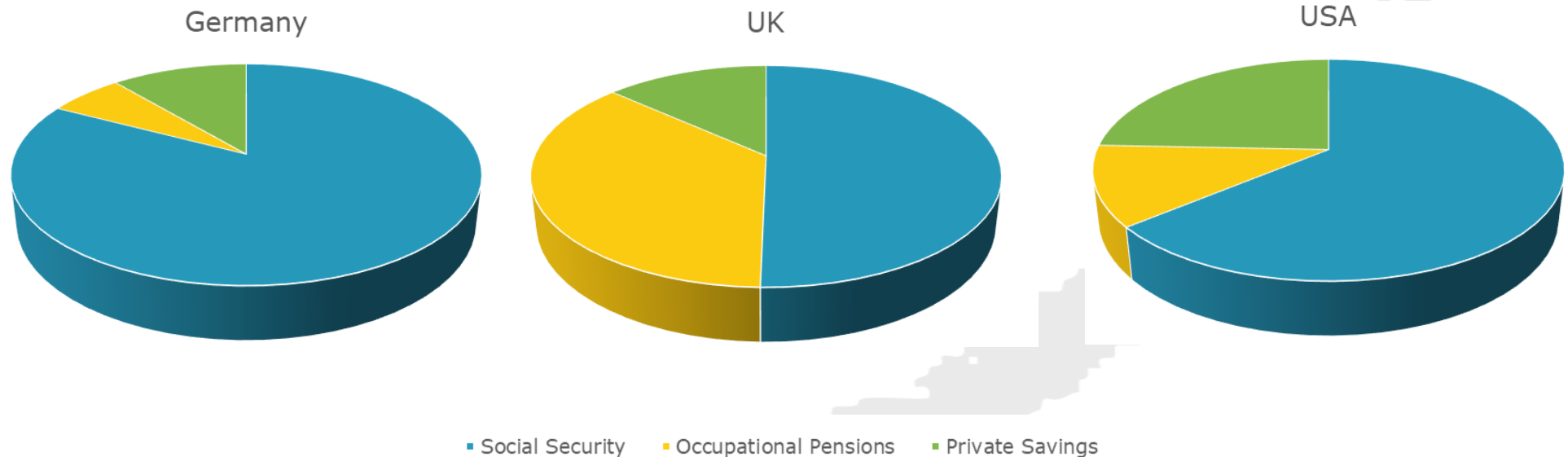


**Germany offers still
significant growth potential
in the segment of retirement savings.**

Sources of Retirement Income

Importance of social security pension

Currently, for German pensioners the **social security pension** is by far the most important source of their income.

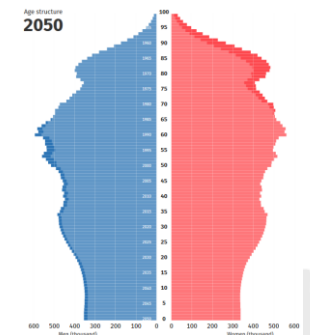
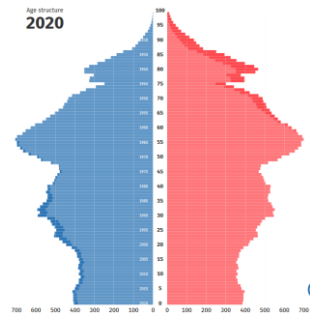
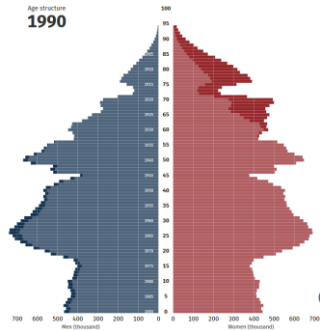


Source: OECD (<https://stats.oecd.org/Index.aspx?DataSetCode=IDD>, accessed on 07/27/2021)

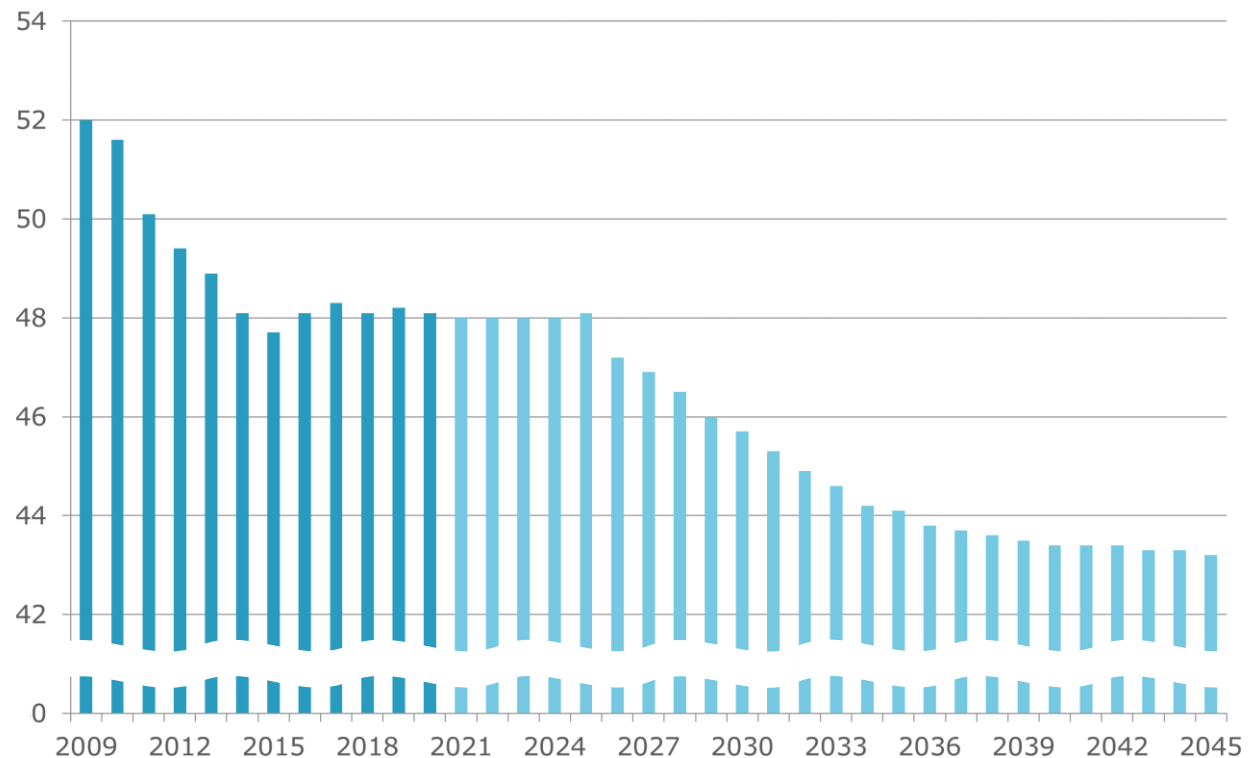
Demographic Change

Expected decrease of level of social security pensions

However, demographic change leads to an expected future **decrease** of the level of social security pensions in Germany.



Level of Social Security Pension

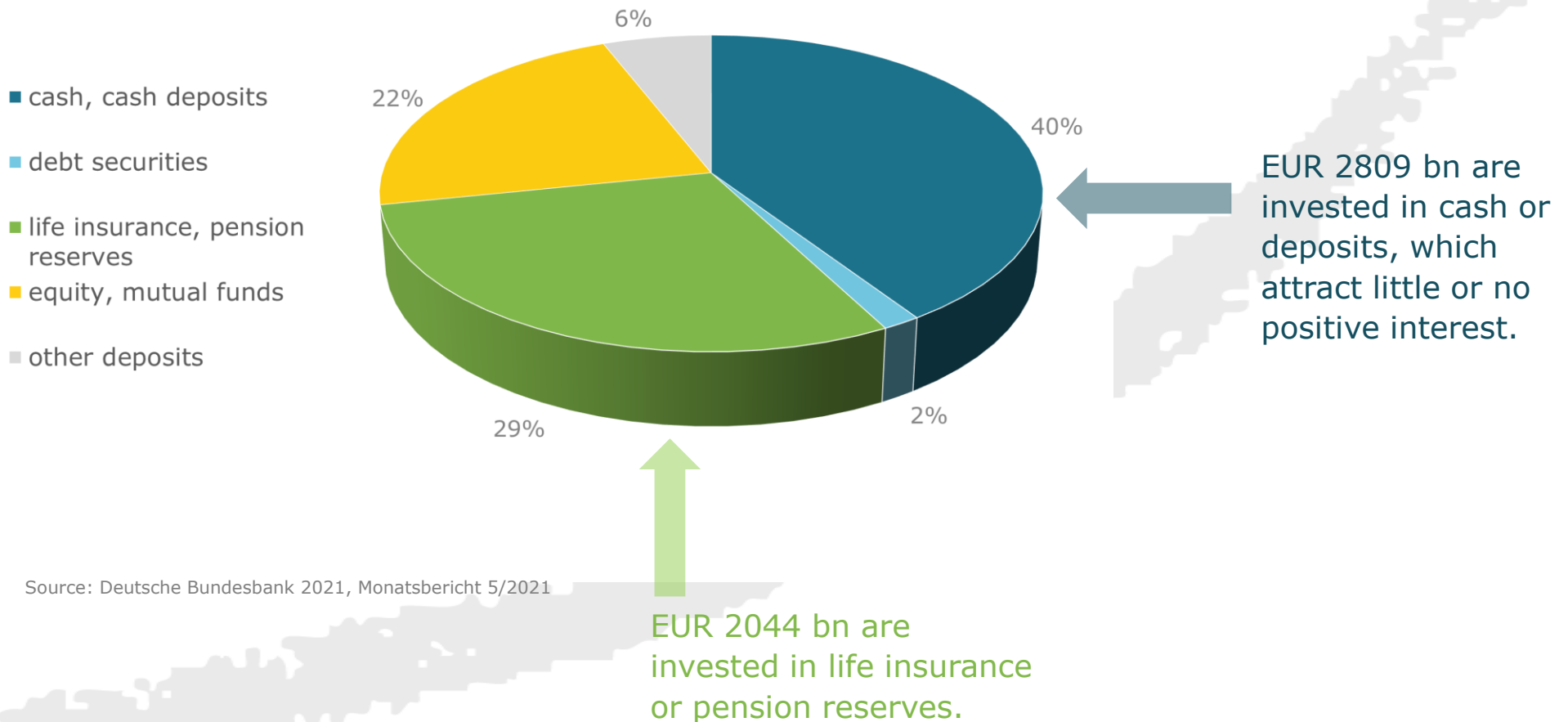


Sources: Statistisches Bundesamt (<https://service.destatis.de/bevoelkerungspyramide/index.html#!y=2050&v=2&l=en>, accessed on 07/27/2021), BMAS Rentenversicherungsbericht 2020 (p. 40).

Split of Financial Assets

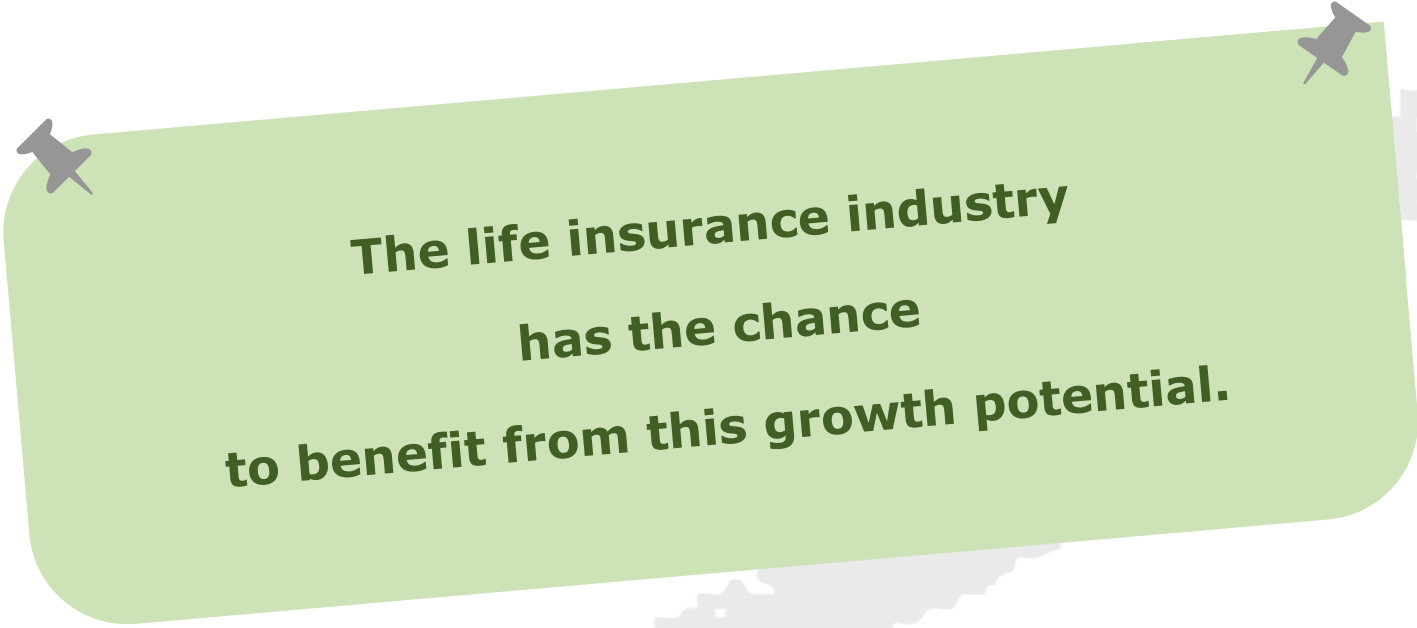
Large amount of assets with low return profile

Financial Assets of Households in 2020: EUR 6951 bn



Source: Deutsche Bundesbank 2021, Monatsbericht 5/2021

Opportunities in the German Life Insurance Market



**The life insurance industry
has the chance
to benefit from this growth potential.**

Legislator's Incentives

The importance of life-long income

The legislator favors **life-long income** and provides significant **tax incentives** for life-long benefits which only life insurance can provide.

Basisrente (Rürup)

life-long annuity
mandatory

Occupational Pensions

life-long annuity
typically the default
type of benefit

Riester

life-long annuity
mandatory

Other Private Savings

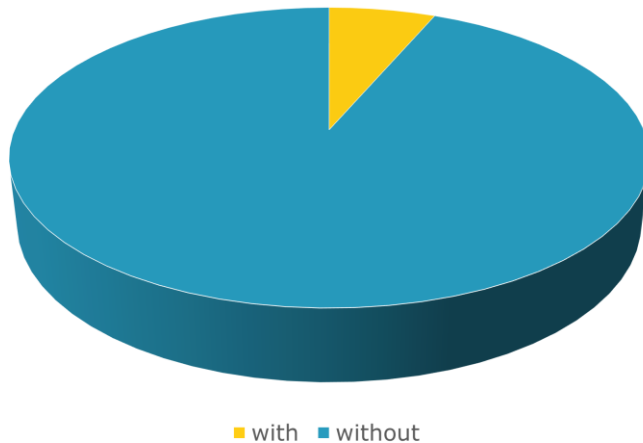
significant tax
incentives for life-
long annuity

Germans' psychology

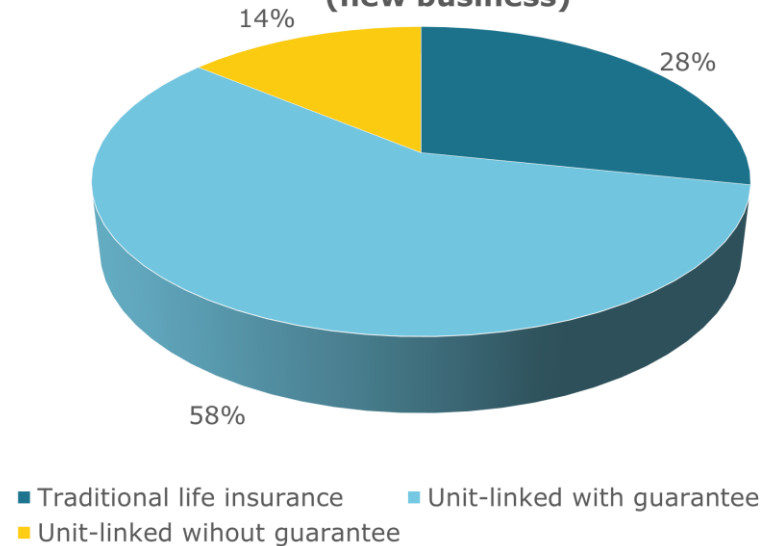
The demand for guarantees

Germans **request guarantees** which life insurers can produce.

Germans w/o
direct investment in stocks



Life insurance: split of accumulation products
(new business)

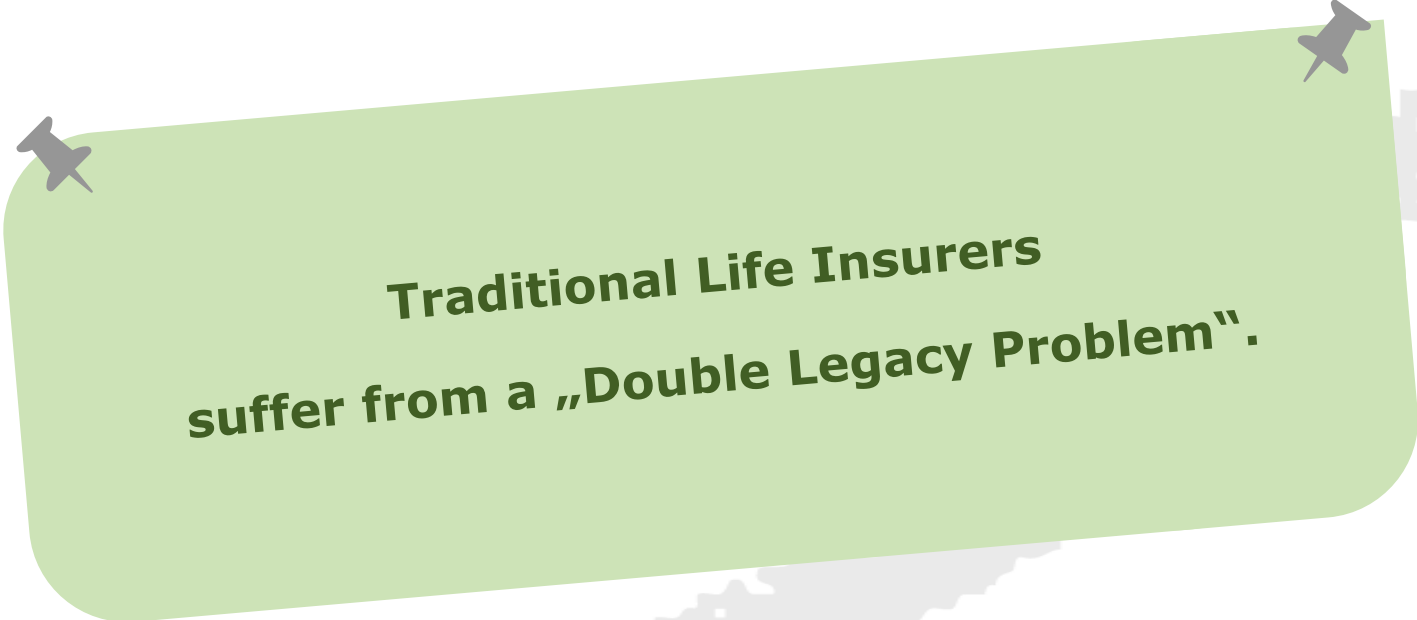


Only 5.34 million Germans (out of 83 million) own direct investments in stocks.

Guarantees remain a core requested feature, even in unit linked business.

Sources: Statistisches Bundesamt download from <https://de.statista.com/statistik/daten/studie/3185/umfrage/entwicklung-der-anzahl-der-aktionaere-in-deutschland/#statisticContainer> and <https://de.statista.com/themen/27/bevoelkerung/as of 7/27/2021>; GDV „Die deutsche Lebensversicherung in Zahlen 2021, p.12-13

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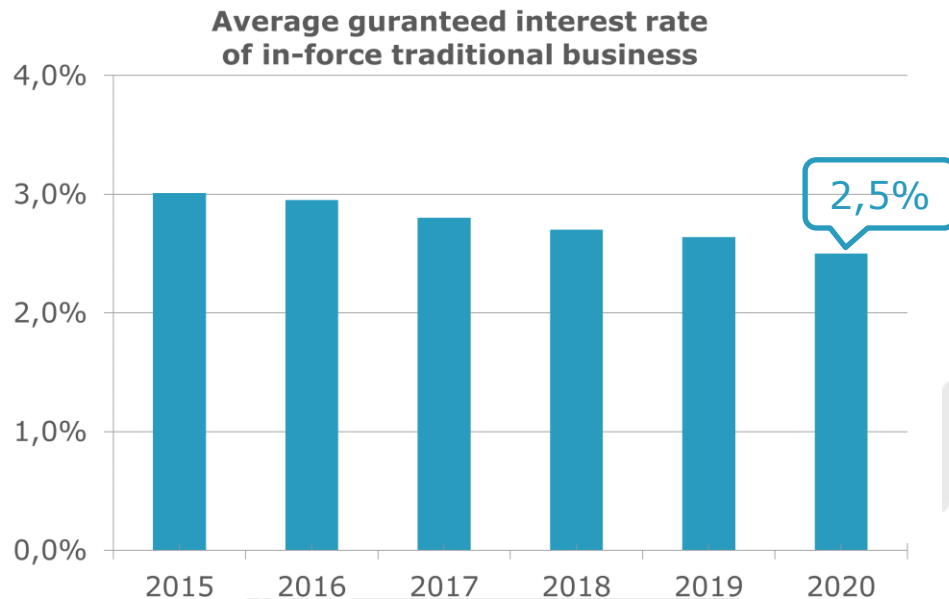


**Traditional Life Insurers
suffer from a „Double Legacy Problem“.**

Double Legacy Problem

Guarantee Legacy

- Guarantees of in-force business are typically
 - not explicitly hedged,
 - long-term, and
 - very high.




Source: Assekurata Überschussstudie 2021 (p.106)

IT Legacy

- Insurance companies once had been the pioneers of modern IT systems.
- Now, they are often struggling with inflexible and costly IT infrastructures that requires massive investments and ties up precious resources.



Opportunities in the German Life Insurance Market



**This situation generates
a variety of opportunities for new and existing
players and investors in the German market.**

Opportunities for Investments in the German market

Management of (run-off) portfolios in order to free-up capital

de-risking
TPA
reinsurance
portfolio transfer

Exploring new business opportunities

flexible payout phases
alternative asset strategies
life-long support
tailored biometric cover

Setting up a new carrier

agile
digital
direct
no legacies

Contact

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Who we are

Overview

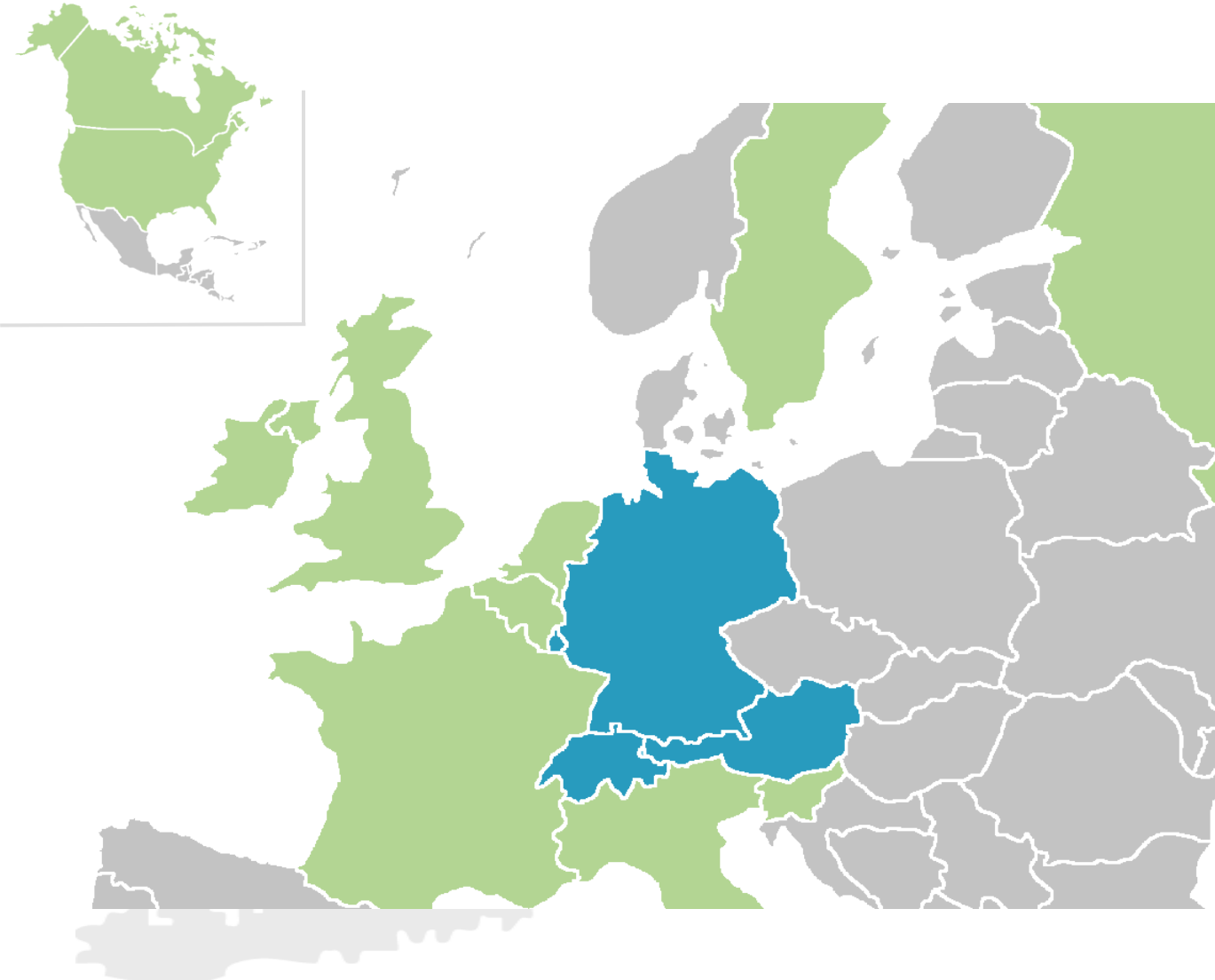
- ifa is an independent actuarial consulting firm.
- We offer our clients a comprehensive range of consulting services. This includes traditional actuarial tasks in all lines of insurance business, but also modeling and assessment of complex risks as part of modern risk management. We develop innovative insurance products and provide strategic advice on the determination of a successful product mix. We also offer to coordinate implementation and roll-out of innovative insurance products.
- ifa was founded with the objective of supporting the German insurance industry in the efficient application of modern methods of actuarial sciences, financial mathematics, and statistics. We follow this objective in our consulting work, by supporting the professional education for actuaries in Germany via on-the-job training courses, as well as in the scientific research on actuarial topics of practical relevance.
- Our team consists of about 30 actuaries, mathematicians, and computer scientists whose expertise and enthusiasm for innovation is recognized internationally.



- founded in 1993 (right before the deregulation of the German insurance market)
- private company
- located in Ulm, Germany
- currently about 30 employees
- managing directors:
Prof. Dr. Jochen Ruß
Dr. Andreas Seyboth
- chairman supervisory board:
Prof. Dr. Hans-Joachim Zwiesler
- cooperation with the University of Ulm (offering the largest actuarial program in Germany)

Who we are

Where we offer our services



- We offer our services mostly in Germany and the neighbouring German speaking countries (Austria, Switzerland, Luxemburg, Liechtenstein).
- We also support clients in other European countries as well as North America.

What we do

Overview

